POVERTY & SOCIAL DEPRIVATION in the MEDITERRANEAN

Trends, Policies & Welfare Prospects in the New Millennium

EDITED BY

Maria Petmesidou & Christos Papatheodorou

CROP

INTERNATIONAL STUDIES IN POVERTY RESEARCH

About this book

Amidst the growth of regional identities worldwide, the Mediterranean Basin is beginning to emerge in scholarly circles and politically as an entity in its own right. This book is the product of a unique collaboration among social scientists around the entire Mediterranean littoral. Their work embraces Southern Europe, Turkey, the Balkans, North Africa, and the Near East. Leading economists, sociologists and social policy experts document with new and up-to-date empirical material the changing profiles of poverty and social deprivation in the area. What emerges is a thought-provoking comparison of the extent, severity and structural causes of poverty.

The book offers a critical overview of socio-cultural trends shared in common in the region and the wide diversity of development trajectories, patterns of global integration and impact of international strategies on deepening social polarization and poverty. A broad spectrum of public responses and policies to the challenges of poverty and social inequality in countries within the European Union, the transition economies of the Balkans, emerging advanced economies like Israel and Turkey, as well as the developing countries of North Africa are thoroughly discussed. The need for collaborative economic and social development and regional solutions to poverty is argued about and a powerful case is made out for an alternative model to structural adjustment and welfare retrenchment that supports substantial redistribution and regional/international preventative action. Such a strategy is most urgently needed in the areas where civil conflict and open warfare have perilously affected living standards of populations and raised serious obstacles even to tracking poverty, as the cases of Palestine, Lebanon and the Western Balkans clearly demonstrate.

The Co-editors are respectively Professor and Assistant Professor of Social Policy at Democritus University of Thrace.

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The International Glossary on Poverty, David Gordon and Paul Spicker (eds), 1999, 162 pp.

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International Poverty Law: An Emerging Discourse, Lucy Williams (ed.), 2006, 256 pp.

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About CROP

CROP, the Comparative Research Programme on Poverty, is a response from the academic community to the problem of poverty. The programme was initiated in 1992, and the CROP Secretariat was officially opened in June 1993 by the director-general of UNESCO, Dr Federico Mayor.

In recent years, poverty alleviation, poverty reduction or even the eradication and abolition of poverty has moved up the international agenda, and the CROP network is providing research-based information to policy-makers and others responsible for poverty reduction. Researchers from more than one hundred countries have joined the CROP network, with more than half coming from so-called developing countries and countries in transition.

The major aim of CROP is to produce sound and reliable knowledge that can serve as a basis for poverty reduction. This is done by bringing together researchers for workshops, co-ordinating research projects and publications, and offering educational courses for the international community of policy-makers.

CROP is multi-disciplinary and works as an independent non-profit organization.

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MARIA PETMESIDOU AND
CHRISTOS PAPATHEODOROU | editors

Poverty and social deprivation in the Mediterranean

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Acknowledgements

This book came out of CROP's initiative to develop regional cooperation on the comparative study of poverty dynamics in the Mediterranean area among researchers, academics and policy-makers from countries bordering this region. The Mediterranean area is characterized by a considerable variation of socio-economic conditions, political structures, levels of inequality and deprivation, and policy practice. On the other hand, there are also shared historical trajectories among particular groups of countries in the region. This volume builds upon CROP's long experience in instigating and promoting inter-disciplinary research (for example, in Africa, Asia and Latin America) on the problem of the dramatic growth in global poverty over the last two decades, and aims to trace the structural causes and tackle problems of meaning and measurement that have profound implications for poverty reduction (and eradication) policies.

Most of the contributions to this volume, in earlier versions, were presented at the third Mediterranean Workshop on 'Poverty and Social Deprivation in the Mediterranean Area', organized by CROP, in collaboration with the Department of Social Administration at the Democritus University of Thrace (Komotini, Greece), in June 2003. The workshop provided the opportunity for an insightful discussion of the initial versions of the papers among participants. Particularly valuable were the contributions by Else Øyen and Peter Townsend in discussions of papers in various sessions, and their remarks and advice on the book project at the closing session of the workshop. A long period of gestation followed in which the authors were asked to incorporate the results of the discussions, as well as the editors' comments and guidelines, into their chapters and submit them for review. Special thanks are due to Peter Townsend, who, at this stage, painstakingly reviewed the draft manuscript and offered helpful insights and editorial suggestions that greatly improved the final outcome. We also wish to thank him for his perceptive closing commentary written for this volume, which draws upon his rich academic experience on the subject.

Many thanks are addressed to all the authors who have responded with great enthusiasm and patience to our requests and made collaboration stimulating and fruitful. The CROP Secretariat, and particularly its scientific director, Else Øyen, offered constant encouragement and advice throughout the project and we would like to offer them our thanks. We also would like to acknowledge the financial support of the Greek Ministry of Health and Welfare, the Commercial Bank of Greece, VIAMAR S.A., the Democritus University of Thrace and CROP for covering the costs of the workshop and the preparation of the book.

Many other people contributed to the complex editing of this volume. Paris Yeros edited the language of earlier drafts of Chapters 4, 5, 7, 8, 10, 11 and 12, while Anna Maresso undertook the final linguistic editing of the whole volume, and we thank them both. We would also like to thank the staff at CROP and Zed Books for the final production of the book.

Maria Petmesidou and Christos Papatheodorou

1 | Introduction: comparing poverty phenomena in the Mediterranean area

MARIA PETMESIDOU AND CHRISTOS PAPATHEODOROU

The end of the second millennium and the beginning of the third have been marked by rising mass poverty and deepening social polarization within and between countries. This has occurred on a world scale, following significant cutbacks in social spending (both in developed and developing countries) and a residualization and marketization of social programmes and welfare provisions. These trends are mirrored in the slowing down, or even reversal, of a range of basic social indicators, such as life expectancy, infant mortality, malnutrition and other aspects of livelihood, particularly in some less developed or developing regions/countries, as well as in the countries of the former eastern bloc. Various studies extensively document the close association between the dominance of neo-liberal strategies for growth and development on the international scene over the last two decades, and the aggravation of global poverty and deterioration of living conditions for a substantial part of the world's population (Townsend and Gordon 2002; Chossudovsky 2003). In this context a renewed interest among academics and researchers has emerged in developing an international approach to the measurement and explanation of poverty. This is considered to be a crucial pre-condition not only for a better understanding of the causes of poverty and its trends, but also for choosing political priorities capable of yielding results in the struggle against global poverty and effectively monitoring their progress.[1] The two measures of 'absolute' and 'overall' poverty recommended by the 1995 Copenhagen Summit on Social Development (United Nations 1995)[2] offered a starting point in this endeavour, which seeks to overcome methodological and substantive obstacles to developing a cross-national approach to poverty phenomena. These obstacles stem principally from the absence of a scientific operational definition of poverty and the erroneous belief that the needs of rich and poor countries are fundamentally different.

Recent studies have also called attention to the contribution made by different policies to alleviating the overall extent of national, international and local poverty. These studies focus on globalization in order to understand the dynamics between major actors (for example, the richest nations, international agencies and large transnational corporations) and trace the impact of the macroeconomic instruments and stabilization and adjustment objectives that underlie the 'Washington Consensus',[3] on perpetuating and deepening economic inequality and poverty (Townsend 2002; Chossudovsky 2003: part I). In a similar vein, but with a different focus, Øyen (2002: 351) stresses the importance of conducting a more rigorous investigation of poverty-producing processes (in order to make them clearly visible), and the daunting challenge that lies ahead for poverty research (see also Kirdar and Silk 1995).

This volume raises a number of issues that are pertinent to these debates. It investigates the intensity and severity of poverty phenomena, traces their causal conditions and factors, and analyses concept definitions, measurement issues and policy orientations within a specific geographic unit – the Mediterranean area. These themes are examined in relation to country groupings covering three major sub-regions of the Mediterranean: the southern rim of the European Union (EU), the Balkan transition countries and the countries of North Africa and the Middle East. The book brings together a selection of papers presented at a workshop on Social Deprivation and Poverty in the Mediterranean Area, co-organized by CROP and the Department of Social Administration, Democritus University of Thrace (Greece), in June 2003.

The collection of chapters presented here is an initial attempt to stimulate comparative investigation of poverty phenomena and trends in a geographic area that has scarcely been examined as a unit of analysis in this respect. There have been a number of studies on specific regions of the Mediterranean area over the last decade, for example analyses of poverty trends in the Arab nations or sub-regions of the Middle East undertaken by international organizations, or poverty studies on southern European countries mostly stimulated by EU initiatives. Comparative research on socio-economic structures, development trajectories, patterns of inequality and poverty trends that highlight differences and similarities between the various regions of the Mediterranean, however, has remained rudimentary.[4] An attempt of this kind surely needs to face the challenge of finding a comparable poverty measurement that would allow a cross-country analysis of inequality and poverty and the effects of economic and social policies in aggravating or reducing poverty. This is an ambitious aim requiring enormous resources and data, however, beyond the scope of this volume. The wide range of socio-economic, political and cultural structures in the Mediterranean area (not only among but also within its more or less constitutive regions) further complicates the task, while the paucity of information on poverty in many parts of the area imposes serious limits on comparative investigations. Rather, the idea here is to use available data to open up debate for a more rigorous cross-national analysis in future.[5]

In this introductory account we briefly discuss the reasons for focusing on the Mediterranean area. We then present some background information on poverty phenomena and poverty trends within its various regions, with the aim of offering insights for comparative investigation and setting a framework for the analyses undertaken in the following chapters. The final section summarizes the main arguments raised by each contribution.

The Mediterranean area (and its major regions) as a unit of analysis

The initiative to bring together a number of studies on the facets of inequality and poverty in Mediterranean countries is prompted by a number of factors. First, we envisage that such an attempt will stimulate wider debate among researchers and academics which will transcend the confines of distinct regions or groups of countries (for example, the Maghreb[6]/ Mashreq[7] countries or the MENA (Middle East North Africa) as whole, the four southern EU member countries, the Balkan transition countries, etc.). Locking up debate and comparative study within specific regions compartmentalizes the analysis of social needs and thus puts limits on a common measurement and framework for understanding poverty phenomena and their causes among countries at different levels of socio-economic development.[8]

Needless to say, the great variations among countries in the level, quality and comparability of available data on the extent and depth of poverty, as well as on policy processes and their effects, impede cross-national analysis in the Mediterranean area. Particularly for some countries systematic (primary) data are lacking (for example, a number of MENA countries and the Balkan transition countries), and in these cases one has to rely on the studies undertaken by international organizations, primarily the UN agencies that produce worldwide measurements of poverty. Yet, as shown by the contributions to this volume, poverty phenomena are intense in most of the countries in the area, and in some of them there has been a resurgence of mass poverty in the last decade. These conditions call for more coordinated research and analysis, particularly if there is going to be any progress on the policy front to combat poverty in the area. Undoubtedly, such a daunting challenge transcends the scope of our book. Rather, our aim is to compare existing studies in an attempt to prepare the ground for a more systematic, cross-national approach to poverty phenomena that could bridge the North/South (or rich/poor countries) divide in the area.

Second, geographic proximity warrants approaching the countries around the Mediterranean as a unit of analysis, while also acknowledging that the area encompasses a great deal of diversity within its borders. Located at the crossroads of three continents, the area comprises societies and cultures that differ considerably, but which were also influenced by cross-cultural exchanges at various stages of the region's historical development. Depending on the criteria used, different sub-groupings (or zones/regions) can be defined. On the basis of the level of socio-economic development, measured by economic growth performance indicators and the Human Development Index (see Tables 1.1 and 1.2), the southern EU member countries (including Cyprus) constitute the more developed zone of the area. This group of countries is distinguished from the Balkan transition economies as well as the MENA region, which include countries of a medium to low level of socio-economic development. There is a considerable degree of variation within both of these regions, however. Among the ex-communist Balkan countries, Croatia is ranked much higher than the rest in terms of economic performance and other relevant indicators.[9] In the Middle East, Israel and the small oil-rich countries of the Gulf (Kuwait, Bahrain, Qatar and the United Arab Emirates) are ranked among the high human development countries. On the other hand, the majority of the MENA countries cluster around medium and low-medium income, economic and human development indicator rates, and a few of them (such as Sudan, Yemen and Mauritania) are characterized by very low levels of socio-economic development.

Third, a number of other criteria produce cross-cutting classifications that are highly illuminating in terms of similarities and differences in social structures and patterns of inequality. These criteria refer to common historical traits and trajectories (even between countries that belong to different zones of socio-economic development), and are due to population movements, cross-cultural influences and historical links – for instance, through occupation (four centuries of Ottoman rule in the Balkans and most of the MENA region) and colonial domination. An expanding debate on the historical trajectories of economic and political systems, and cultural patterns, in what we would call the 'eastern side' of the Mediterranean area (i.e. the Balkan and MENA regions) is quite revealing in terms of the specificities of development across a north-west/south-east axis in the area.[10]

Starting from southern Europe, a crucial distinction can be made along the north-west/south-east axis within this region, which extends farther to the east and the south of the Mediterranean area. As shown elsewhere (Petmesidou and Tsoulouvis 1994; Petmesidou 1996; see also Chapter 2 in this volume), significant differences in the structure of the economy,

TABLE 1.1 Economic growth performance, human development and integration in the global economy

	(1) GDP per capita (annual growth rate, %)			(2) GNI per capita (PPP US$)	(3) Human Development Index (HDI)[1]	(4) Trade in goods (% of GDP)		(5) Gross private capital flows (% of GDP)		(6) Gross foreign direct investment (% of GDP)	
	1975–2001	1990–2001	2002	2002		1990	2002	1990	2002	1990	2002
Arab States/MENA	0.3	0.7	1.0	5,670	0.651	46.6	50.5	6.0	10.3	0.8	0.9
East Asia & the Pacific	5.9	5.5	5.8	4,280	0.740	47.0	63.4	5.0	10.2	1.7	4.1
South Asia	2.4	3.2	2.6	2,460	0.584	16.5	24.2	1.4	3.2	0.1	0.7
Latin America and the Caribbean	0.7	1.5	-2.2	6,950	0.777	23.1	41.2	7.9	13.7	0.9	4.0
Sub-Saharan Africa	-0.9	-0.1	0.5	1,700	0.465	40.6	55.3	4.9	9.6	1.0	2.2
Global South (developing countries)	2.3	2.9	…	…	0.663	…	…	…	…	…	…
Central & Eastern Europe & CIS	-2.5	-1.6	5.1	6,900	0.796	28.8	64.3	…	13.9	…	3.7
High-income	2.1	1.7	1.0 (1.4)[2]	28,480	0.933	32.3	37.6	10.9	22.9	3.0	6.6
Spain	2.2	2.2	1.6 (1.9)	20,210	0.922	28.1	41.9	11.4	26.9	3.4	6.2
Italy	2.0	1.4	0.4 (0.4)	26,170	0.920	32.0	41.7	10.6	13.7	1.3	2.7
Israel	2.0	2.0	-2.7 (-0.8)	19,000	0.908	55.0	62.7	6.5	10.8	0.7	3.0
Greece	1.0	2.0	3.6/4.2	18,770	0.902	33.2	31.3	3.9	22.6	1.2	1.0
Portugal	3.0	2.6	0.2/(-0.9)	17,820	0.897	58.3	52.7	11.4	37.6	3.9	7.1
Middle-income	1.6	2.2	2.3/(3.9)	5,800	0.756	35.2	54.9	6.8	12.4	1.0	3.7
Low-income	1.6	1.4	2.2/(4.9)	2,110	0.557	26.9	37.3	3.0	4.4	0.5	1.7
World	1.2	1.2	0.7	7,820	0.729	–	–	–	–	–	–

Sources: World Bank 2004; UNDP 2003a, 2004.

Notes: 1 As calculated in UNDP 2004; 2 In parenthesis data for 2003 (if available). Columns (1) & (2) refer to the following Arab States (Algeria, Bahrain, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Occupied Palestinian Territories, Oman, Qatar, Saudi Arabia, Somalia, Sudan, Syrian Republic, Tunisia, United Arab Emirates and Yemen). The rest of the columns refer to the Middle East and North Africa regional aggregate, as defined by UNDP, which does not include high-income economies of the region.

TABLE 1.2 Social indicators for three distinct groups of countries

	HDI/ GDI[1] rank	LEB[2] 2002	UP[3] 1999–2001	UC[4] 1995–2002	Adult literacy rate 2002[5]		APW[6] (est. %) 2000	ASF[7] (est. %) 2000	Adult economic activity rate (%) 2002		UR[8] 2000–2003
					M	F			M	F	
South Europe: EU member states											
Spain	High 20/20	79.2	...	...	98.7	96.9	100	100	67	38	11.3 (15.9)
Italy	High 21/21	78.7	...	...	98.9	98.1	100	100	66	39	8.7 (11.6)
Greece	High 24/25	78.2	...	...	98.6	96.1	100	100	65	32	9.7[i] (15.0)
Portugal	High 26/24	76.1	...	...	95.2	90.3	100	100	72	52	6.3 (7.2)
South Europe: non-EU member states											
Croatia	High 48/43	74.1	12	1	99.3	97.1	...	...	67	49	14.3 (15.7)
Bulgaria	Medium 56/48	70.9	16	...	99.1	98.1	100	100	65	56	17.6 (16.9)
FYR Macedonia	Medium 60/-	73.5	10	6	...	...	...	...	69	50	36.7 (36.3)
Albania	Medium 65/54	73.6	4	14	99.2	98.3	97	91	81	60	15.2 (18.3)
Bosnia-Herzegovina	Medium 66/-	74.0	8	4	98.4	91.1	...	...	72	43	...
Serbia & Montenegro	...	*	8	2	...	...	98	100	...	...	22.3 (22.1)
Romania	Medium 69/56	70.5	...	6	98.4	97.4	58	53	66	51	7.0 (6.4)
Middle East and North Africa											
Israel	High 22/22	79.1	...	...	97.3	93.4	100	...	71	49	10.7 (11.3)
Kuwait	High 44/42	76.5	4	10	84.7	81.0	...	...	76	36	...

UAE	High 49/-	74.6	...	14	75.6	80.7	...	...	86	32	...
Libya	Medium 58/-	72.6	...	5	91.8	70.7	72	97	75	26	29[ii]
Saudi Arabia	Medium 77/72	72.1	3	14	84.1	69.3	95	100	76	22	5.2[iii] (11.5)
Lebanon	Medium 80/64	73.5	3	3	92.4	81.0	100	99	78	30	18[iv]
Turkey	Medium 88/70	70.4	3	8	94.4	78.5	82	90	82	51	10.5 (10.1)
Jordan	Medium 90/76	70.9	6	5	95.5	85.9	96	99	77	28	13.2[v] (20.7)
Tunisia	Medium 92/77	72.7	...	4	83.1	63.1	80	84	78	38	14.3
Iran	Medium 101/82	70.1	5	11	83.5	70.4	92	83	79	30	12.3[v] (4.1)
Occupied Palestinian Territories	Medium 102/-	72.3	...	4	...	...	86	100	68	10	25.6 (18.6)
Syria	Medium 106/88	71.7	4	7	91.0	74.2	80	90	77	30	11.7[vi] (24.1)
Algeria	Medium 108/89	69.5	6	6	78.0	59.6	89	92	73	31	27.3 (31.4)
Egypt	Medium 120/99	68.6	3	11	67.2	44.8	97	98	79	36	10.2[vi] (23.9)
Morocco	Medium 125/100	68.5	7	9	63.3	38.3	80	68	79	42	19.3 (25.8)
Sudan	Medium 139/115	55.5	25	17	70.8	49.1	75	62	86	35	...
Yemen	Low 149/126	59.8	33	46	69.5	28.9	69	38	83	31	11.5[vi] (8.2)
Mauritania	Low 152/124	52.3	10	32	51.1	31.3	37	33	85	63	...

Sources: UNDP 2003a, 2004; ILO statistics online <www.ilo.org>; Richards 2003.

Notes: 1 Human Development Index/Gender-related Development Index as these are calculated in UNDP 2004. 2 Life expectancy at birth. 3 Undernourished people (% of total population); data refer to the average for the specified years. 4 Underweight children (% under age 5); data refer to the most recent year available during the specified period. 5 Adult literacy rate (% aged 15 and above). 6 Access to piped water. 7 Access to sanitation facilities. 8 Total unemployment rate (in parenthesis, female unemployment rate); data refer to the most recent year available during the specified period. * 70.9 for men and 75.6 for women (1991 data). i In Greece official data on unemployment were 'revised' recently (in the third quarter of 2004 unemployment was found to be 11.4%). ii Estimate for 2000 (see Richards 2003). iii Official data; some estimates show 14–18% (and even higher among graduates). iv Estimate for 1998. v This is the official rate for 2000 (Jordan) and 2002 (Iran), yet others give 25–30% and 20–25% respectively. vi These are the official rates for Syria (2002), Egypt (2002) and Yemen (1999), yet other sources estimate the respective rates at 20, 20 and 35%.

the state/civil society relationship and, specifically, in the strength of civil society vis-à-vis state authority and interventionism, as well as in terms of cultural characteristics, arise in this geographic cluster. From the north-west of southern Europe towards the Balkan area and the MENA region, agrarian structures and extensive self-employment (in the form of petty trade) have been maintained and reproduced on a large scale, together with an extensive informal economy,[11] while authoritarian structures (and political instability, to one degree or another) have been prevalent.

These characteristics distinguish the so-called Latin Rim countries, Italy, Spain and Portugal (and particularly their more developed northern regions, for example, the Basque country, Navarre and Catalonia in Spain, Norte in Portugal, Piedmont, Lombardy, Tuscany and Lazio in Italy), from the less developed regions of southern Europe (for example, southern Spain and southern Italy), and particularly from south-eastern Europe (i.e. the Balkan countries, including Turkey). Towards the south-east, significant sociocultural characteristics such as statism and paternalistic forms of social organization, closely linked with values upholding familism and nepotism, become prevalent. They are linked with eastern statist traditions extending far back in the history of Ottoman and Russian autocracy. These sociocultural characteristics are even more pronounced in the MENA countries.

For instance, in the Arab countries statist ideology and patrimonial tendencies have been prevalent throughout the twentieth century. Historical accounts explain the strong enmeshment of state and civil society with respect to the emergence of Arab states (in the first half of the last century), and particularly with respect to the *top-down citizenship* that characterized state-building in the region after the demise of empires.[12] These conditions created and maintained a strong fluidity of boundaries between the governmental, non-governmental and domestic/kinship (and tribal) spheres (Joseph 2002). Furthermore, they contributed to making the state almost the exclusive 'provider of livelihoods for many citizens, in exchange for their loyalty' (Bayat 2002: 1). The state dominated in most of the economic, political and social domains, thus leaving little space for civil society to develop its own rules independently of it and the political sphere.[13] Interestingly, the concept of civil society is expressed by two slightly different terms in Arabic: *Mujtama' Madani* is the term that comes closer to the Western concept (as *madani* literally means civic associations); while the second term, *Mujtama' Ahli*, is much broader, encompassing a great variety of relationships (from nationwide affiliations to those pertaining to family, kinship, religious, tribal, community and other ties, which are more or less intertwined with political power) (Jawad 2002: 335). The latter term echoes the entanglement of civil society with the political sphere that is a common characteristic, though to varying degrees, of Mediterranean societies.

Moreover, economic and political conditions have secured considerable strategic rents for many of these countries. During much of the second half of the twentieth century, such rents accrued from oil-windfall gains and/or strategic geo-political location, viewed from the superpowers' perspectives. Strategic rents, in parallel to the prevalent role of the military in many parts of the Middle East, hindered consensual reforms away from authoritarian rule and towards democratic structures in the region (Richards 2003: 68–9; see also Dillman 2000). Most importantly, these conditions put limits on interest group formation and collective action – hence 'the demobilization of the people' to which Bayat (2002: 1) refers. To the extent that collective mobilization has taken place, it has been controlled extensively by the state. The corporatist unions in Egypt under the rule of G. A. Nasser, the syndicates under the Shah in Iran, and later the Islamic Associations under Ayatollah Khomeini, the People's Councils in Libya and the current corporatist trends in Syria are among many examples of the strong hold of the state over civil society (ibid.).[14]

In the countries that share a strong statist tradition, access to state mechanisms largely defines access to resources (i.e. to the revenue-yielding state mechanisms);[15] hence, the important role of public employment, particularly in MENA countries, but also in south-eastern Europe,[16] that has long been used as a kind of blunt social policy instrument substituting for the absence of a welfare state of the type developed in north-western Europe. Moreover, under these conditions social conflict is expressed in atomized struggles to gain access to patron–client relationships (and/or wider clientelistic networks) and resources distributed more or less on the basis of political means and criteria. Closely linked to these socio-structural characteristics is the importance of family, kinship (and tribal institutions in some parts of the Middle East) in association with patronage (and/or clientelism). These constitute the other side of the diminished sense of citizenship (and of universalist rights securing welfare provisions on the basis of citizenship criteria[17]) in most Mediterranean countries. Even though institutional configurations of such strategies vary greatly in the area, concepts such as '*wasta*'/'*parti*' in Arabic or '*meson*' in Greek (meaning both a personal intermediary and the process of intermediation) allude to significant similarities and an overall common pattern of 'atomized struggles' across the Mediterranean area that cross the public–private and formal–informal divides. In addition studies of grass-roots activism in the Arab countries, as a response to diminishing state subsidies and increasing poverty following the introduction of structural adjustment strategies, provide further evidence for the institutional configuration described above. Unlike social protest movements emerging out of a similar shift to neo-liberal strategies, for example in Latin American countries, where social mobilization took the form of autonomous, collective social movements (i.e. local/community and/or urban mass movements), in the Arab world mobilization appears in a more atomized form and is linked primarily to '(unlawful and direct) acquisition of collective consumption (land, shelter, piped water, electricity), public space (street pavement, intersections, street parking places), and opportunities (favourable business conditions, locations, and labels)' (Bayat 2002: 20).[18]

As for the countries of the former eastern bloc, it should be mentioned here that in their respective paths to liberal democracy and market economies, the different influences of Western/Eastern socio-political and cultural traditions in the period before the formation of the communist regime play a significant role. Comparatively stronger traditions of liberal democracy and an entrepreneurial ethos in countries such as the Czech Republic and Slovakia, Hungary, Slovenia and partly Croatia bring these countries closer to patterns of accumulation, employment, social stratification and welfare found in north-western Europe. On the other hand, in the rest of the former Yugoslav republics, Romania, Bulgaria and Albania the historical influence of eastern statist traditions, compounded by the bureaucratic-statist practices of the communist era, brings them closer to the development trajectories of southern Europe (Deacon 1992; see also Petmesidou and Tsoulouvis 1994; Petmesidou 2003).

Table 1.1 presents some background data on economic performance and integration into the global economy of the area under study – in comparison with other major groups of countries worldwide. For the southern EU member states (particularly Spain, Portugal and Greece), the mid-1970s constituted a turning point in terms of socio-economic and political development, marking the transition to democratic political structures in these three countries. In the period from the mid-1970s to 2001, economic performance, measured in annual GDP per capita growth in Spain, Portugal and Italy, was above the average of high-income countries. In Greece growth stagnated during much of the 1980s and 1990s and only in the late 1990s/early 2000s did economic performance improve.[19] With respect to GNI per capita, only Italy comes close to the average for high-income countries, while Portugal and Greece are well below it. On the basis of the Human Development Index (see Table 1.2), however, Italy and Spain exhibit rates above the average for high-income countries, while Portugal and Greece rank below average (Greece exhibits the lowest rate among the four countries).

Some indicators that allow us to partly capture the globalization dimension in the major regions of the Mediterranean area, as a basis for gauging its effects on inequality and poverty, are also included in Table 1.1. Integration into the world economy seems to be stronger in Spain, Italy and Portugal and weaker in Greece. A closely linked perspective for approaching globalization is the extent to which neo-liberal strategies have guided social and economic reform in these countries. As shown by various studies, in the EU member states socio-economic and policy adjustment in response to the *competitiveness imperative* is felt primarily through European integration and economic and monetary union (EMU) (Ferrera and Rhodes 2000: 2). With regard to southern Europe (and particularly in the south-east), where universalist welfare structures only marginally developed during the 'Golden Age' of welfare capitalism that took place in north-western Europe,[20] neo-liberal strategies of welfare marketization and privatization over the last few decades have impacted negatively on the rather weak welfare state structures, and have kept redistribution at a comparatively low level, with significant repercussions for the extent and depth of poverty (see Chapters 2, 3, 4 and 5 in this volume). Another contributing factor is the strong inequalities in welfare coverage, associated with well-entrenched legacies reproducing fragmentation, polarization and particularism in southern European countries, that leave a number of deprived social groups without protection (i.e. those employed in the underground economy, young people with no qualifications or work experience and the long-term unemployed – particularly unemployed women – the elderly with no rights to social insurance and other vulnerable groups).[21] Future prospects for fighting poverty and promoting distributional justice are closely linked with EU-wide social policy developments, and particularly the issue of whether the criteria of redistribution, equity and social justice will override the competitiveness imperative in European integration; and much depends on whether or not policy harmonization downwards to the lowest common denominator will prevail.

This is a crucial issue, particularly for socio-economic and welfare reform in south-eastern Europe. During the 1990s the Balkan transition countries (with the exception of Croatia) experienced serious economic stagnation.[22] In the early 2000s, per capita growth performance significantly improved, but (again with the exception of Croatia) it remained below the average for central-eastern Europe and the Commonwealth of Independent States (CIS) (see Table 1.1). In 2002 GNI per capita was well below the central and eastern European average in Albania, Romania, the former Yugoslav Republic of Macedonia and Bosnia-Herzegovina, close to the average in Bulgaria and a little over it in Croatia.[23] In the early 2000s integration into the global economy (as measured by the indicators included in Table 1.1) appeared to be lowest in Albania, Romania, Serbia and Montenegro, and substantial in Croatia, Bulgaria and Bosnia-Herzegovina.

EU membership for most ex-communist south-eastern European countries is still distant and the social protection *acquis* receives little emphasis in these countries, while socio-economic development discourse in the area is dominated mostly by the World Bank and a proliferation of new actors (for example, domestic and international NGOs, other international organizations, etc.). The way this process impacts upon the content of social policy in the area may have significant repercussions on all the countries of south-eastern Europe. Radical reform promoting extensive privatization (as stipulated by the international financial organizations) and ensuing social marginalization give cause for concern that the process will lead to a 'race to the welfare bottom' (in the broader region). Migration flows (mainly illegal) from the Balkan transition economies to the southern EU member states (and particularly to Greece and Italy), in conjunction with the spectre of intensified social dumping by the low-wage, former communist Balkan countries in south-eastern Europe, constitute a significant threat[24] that calls for trans-national (and EU) regulation.

In the MENA region, per capita growth in output lagged behind that of other developing regions in the last quarter of the twentieth century, even though this time span also includes the oil-price boom years (from the early 1970s to the mid-1980s), when the region experienced fast GDP growth. In the decade of the oil-price collapse (1985–94), per capita GDP stagnated, but it slightly improved afterwards. In 2002 GNP per capita remained below the average for middle-income countries.

Prior to the 1980s, under the domination of either nationalist-populist regimes (as in Egypt, Syria, Iraq, Libya, Sudan and Turkey) or pro-Western rentier states (as in Iran and the Arab Gulf states), MENA countries followed the import-substituting model of development linked to state-led industrialization. Financed mainly by income from oil rents, these largely authoritarian states attained remarkable growth rates in the period 1970–79; some countries even achieved average GNP growth rates over 20 per cent, for example Iran, Iraq, Saudi Arabia and Kuwait (Bayat 2002: 1 and 24). Following the collapse of oil prices, external and internal conditions became less favourable to that development strategy. Since the mid-1980s most Arab countries have run into severe balance-of-payment and budget deficit problems and turned to the IMF (and the World Bank) for loans that were made conditional upon structural adjustment and economic reform aimed at export-led growth and privatization. As shown in Table 1.1, global trade and investment flows expanded in the last decade, although not as rapidly as in other developing areas.[25]

The distributive effects of structural adjustment programmes are complex and controversial and have not been well researched in the MENA countries. Suffice it to stress here that the restructuring components in the MENA countries have been more or less similar to those of the other reforming countries of the 'Global South' – consisting of currency devaluation, budgetary contraction and cuts in consumer and agricultural-price subsidies, privatization and downsizing of the public sector, promotion of exports and reduced protection against imports (see Richards and Waterbury 1996: 214). The pacing and extent of implementation of such policies differ among MENA countries, however, and what is more, compared with other developing regions, Arab states have been reluctant to adhere strictly to these policy prescriptions (Page 2003; Richards 2003).[26] As stressed below, this partly accounts for the comparatively lower incidence of poverty and the prevention of utter destitution and hunger in the countries of the Middle East, in comparison to other parts of the 'Global South', even though the number of the poor significantly increased over the last decade.

Aspects of social development and poverty in the major regions of the Mediterranean area

South and south-eastern Europe South and south-eastern Europe, as noted above, includes countries with different levels of social and economic development, social structures and patterns of inequality, but also countries that share some common historical trajectories and sociocultural characteristics. Within this region, the southern EU member countries, Italy, Greece, Spain and Portugal, are those with the highest social and economic development, as illustrated by their scores in a number of social indicators.[27]

The performance of these southern EU member states in a number of social and economic indicators has placed them among the high-income, high-human-development group, and this differentiates them from the rest of the countries of this region. Nevertheless, their scores in many of these indicators are worse than those of many north-western European countries. GNI per capita in Italy, Greece, Spain and Portugal is well below the average figure for all high-income countries (and, of course, the other EU-15 members), but significantly higher than the corresponding figures for central-eastern Europe and CIS, and the Arab states/MENA (see Table 1.1 and World Bank 2004).

Economic growth in the four southern EU member states, as in most of the other world economies, was affected significantly by the mid-1970s economic crisis, which led to stagnation, high inflation and a rise in unemployment (although the effect of the crisis was not the same in all four countries). Overall, since the mid-1970s, these countries have exhibited relatively low average annual growth rates, and for certain time spans quite lower than the corresponding average figures for all high-income countries. Economic performance in Greece, where for more than two decades growth averaged 1 per cent annually (see Table 1.1), was particularly low. By contrast Portugal exhibited the highest growth rates between 1975 and 2001.

The economic crisis of the mid-1970s was the milestone for renewing interest in poverty and inequality issues in most western European societies after a period of two decades (the 1950s and 1960s) when poverty problems remained in the shadows. At that time it was broadly believed that by adopting appropriate policies governments could control economic fluctuations and could guarantee economic growth. Continuous growth was thought to 'lift all boats' and reduce poverty extensively. Particularly in the four southern European countries, concern over poverty phenomena hardly reached public debate until fairly recently, even though poverty problems have been persistently acute. What is more, in each of the four southern European countries research and policy initiatives to confront poverty and deprivation were more or less prompted by EU-wide debates and policy developments. The successive European Programmes to Combat Poverty carried out over the 1970s and 1980s, in parallel with an interest in the social dimension of the EU (supported by political figures such as Jacques Delors), facilitated an incipient interest in poverty phenomena in these countries. Soon, however, such policy orientations faded away under the predominance of fiscal discipline and macroeconomic adjustment and stability concerns, as these were mirrored in the Maastricht criteria. Evidently, the prospects for effective anti-poverty policies across the EU (and particularly in the four southern member states, as well as the countries of current and future enlargements to the east and south-east) should be considered against the background of pre-eminent tensions between 'competitive capitalism' and 'welfare citizenship' in Europe. The priority given to problems of social exclusion and poverty eradication since the Lisbon European Council of 2000 may offer some grounds for optimism, although progress has been slow up to now.

In terms of data availability in southern Europe, the main source of information is the longitudinal survey that was conducted by Eurostat in all member states, covering the period 1994–2001. The survey aimed to produce comparable indicators on inequality, poverty and other aspects of livelihood (Eurostat 2002, 2004). Estimates based on these data show that inequality and the intensity and severity of poverty[28] in the four southern EU member states are much higher than the corresponding figures for the total EU-15. Greece and Portugal have the highest poverty levels followed by Spain and Italy (see Papatheodorou and Petmesidou 2004; also see Chapters 2, 3 and 4 in this volume). This ranking does not reflect the way in which original income is distributed in these countries but, rather, is the result of the weak distributional impact of social transfers, which in turn reflects the weakness and imbalances of their respective social security systems. Although during the 1990s social expenditure per inhabitant increased significantly in all these countries, its impact on alleviating poverty remains significantly lower than in the rest of the EU.

In respect to other social indicators, the four southern EU member countries show rather mixed results. In general, these countries perform better than the rest of the southern European countries. Their ranking according to HDI and GDI places them between nineteenth and twenty-fourth position among all countries, much higher than the rest of the countries of this region (see Table 1.2). Similarly, they appear to perform well as far as life expectancy and literacy rates are concerned. Particularly high literacy rates were also found in most transition economies in this region, however, which is a result of the legacy of the previous regimes.[29] No significant gender differences in literacy rates were found in the four southern EU member states, with the exception of Portugal, where the female literacy rate is five percentage points lower than the male rate. These countries also exhibit comparatively high unemployment rates – ranging between 9.0 and 11.4 per cent (again with the exception of Portugal, where the corresponding figure was 5.1 per cent in the early 2000s).

Economic and social development in the transition economies of south-eastern Europe subverted any optimism felt at the beginning of the transition period. In the course of the 1990s, most of these economies experienced stagnation (or negative rates of growth), an increase in inequality and poverty, high unemployment and inflation, and deterioration in a number of social indicators (see Redmond and Hutton 2000; World Bank 2000; Chapters 6 and 7 in this volume). The average GNI per capita in 2001 was only one-quarter of the corresponding average figures found for high-income countries (Table 1.1). Similarly, this is the only group of countries which, on average, experienced negative rates of growth during the 1990s. As pointed out by Redmond and Hutton (2000: 2–3), 'transition economies not only became poorer in real terms as they restructured; the gap in wealth between them and Western economies widened'. Even World Bank estimates (2000) do not leave much room for optimism with regard to the eradication of absolute poverty and the reduction of inequality, at least in the short or medium term. The transition process was greatly influenced by the recipes of the Bretton Woods institutions and was embodied by ideologies of deregulation, privatization and residualization of welfare provisions. Development policies in most of these countries were also affected significantly by setting EU membership as a goal. As Table 1.3 shows, central and eastern Europe and CIS economies experienced an enormous increase in poverty rates between 1990 and 2001. Poverty rates appear almost ten times higher when the poverty line is measured by $1 PPP (purchasing power parity) per day, and five times higher when it is measured by $2 PPP.

The Balkan transition economies experienced an even larger increase in inequality and poverty and a rapid deterioration in a range of social and economic indicators compared to other European transition economies (see Table 1.4; Chapter 7 in this volume; World Bank 2000).[30] On the basis of the Human Development Index, most of these countries are classified as middle human development countries, with the exception of Croatia, which is placed in the group of high HDI countries (Table 1.2; UNDP 2004). Life expectancy is relatively high, but most of these countries exhibit disturbingly high percentages of undernourished population (even higher than in most MENA countries). The number of underweight children is also a very serious problem in countries such as Albania, Bulgaria and Romania, while unemployment rates have reached alarming levels in the area.

In geographic (as well as socio-historic) terms Turkey too can be included – though only partly – in the region of south-eastern Europe. Yet on the basis of its performance on a number of economic and social indicators, it is obviously closer to the MENA medium human development countries (its performance on HDI and GDI placed it in ninety-sixth and eighty-first position respectively in the world rankings in 2003).[31] The country's performance in terms of life expectancy is lower than the southern EU member states and most of the transition economies of south-eastern Europe. Activity rates are strikingly low, particularly among females (compared with southern Europe but also with respect to most other MENA countries). Turkey also exhibited a comparatively high incidence of unemployment in the early 2000s. This is accounted for by the unstable economic growth that the country has experienced in recent years, marked by sharp declines in output during the crises of 1994, 1999 and 2001.[32] Furthermore, according to Human Poverty Index estimates, Turkey ranks nineteenth among the ninety-five developing countries for which the index has been calculated (UNDP 2004) and exhibits a high level of economic inequality (Table 1.5). As stressed in Chapter 8 of this volume, systematic research on poverty is absent. Poverty phenomena have been introduced into the public debate only recently, but welfare programmes to alleviate poverty are still rudimentary.

TABLE 1.3 Incidence of poverty (international poverty lines)

	1981	1984	1987	1990	1993	1996	1999	2001
East Asia and Pacific								
Poverty rate (% below $1/day at 1993 PPP)	57.7	38.9	28.0	29.6	24.9	16.6	15.7	14.9
Poverty rate (% below $2/day at 1993 PPP)	84.8	76.6	67.7	69.9	64.8	53.3	50.3	47.4
Number of people (on less than $2 per day) (million)	1,169.8	1,108.6	1,028.3	1,116.3	1,079.3	922.2	899.6	864.3
Central and eastern Europe & CIS								
Poverty rate (% below $1/day at 1993 PPP)	0.7	0.5	0.4	0.5	3.7	4.2	6.3	4.7
Poverty rate (% below $2/day at 1993 PPP)	4.7	4.1	3.2	4.9	17.2	20.6	23.7	19.7
Number of people (on less than $2 per day) (million)	20.2	18.3	14.7	22.9	81.2	97.4	112.3	93.5
Latin America & the Caribbean								
Poverty rate (% below $1/day at 1993 PPP)	9.7	11.8	10.9	11.3	11.3	10.7	10.5	9.5
Poverty rate (% below $2/day at 1993 PPP)	26.9	30.4	27.8	28.4	29.5	24.1	25.1	24.5
Number of people (on less than $2 per day) (million)	98.9	118.9	115.4	124.6	136.1	117.2	127.4	128.2
MENA countries								
Poverty rate (% below $1/day at 1993 PPP)	5.1	3.8	3.2	2.3	1.6	2.0	2.6	2.4
Poverty rate (% below $2/day at 1993 PPP)	28.9	25.2	24.2	21.4	20.2	22.3	24.3	23.2
Number of people (on less than $2 per day) (million)	51.9	49.8	52.5	50.9	51.8	60.9	70.4	69.8
South Asia								
Poverty rate (% below $1/day at 1993 PPP)	51.5	46.8	45.0	41.3	40.1	36.6	32.2	31.3
Poverty rate (% below $2/day at 1993 PPP)	89.1	87.2	86.7	85.5	84.5	81.7	78.1	77.2
Number of people (on less than $2 per day) (million)	821.1	858.6	911.4	957.5	1,004.8	1,029.1	1,039.0	1,063.7
Sub-Saharan Africa								
Poverty rate (% below $1/day at 1993 PPP)	41.6	46.3	46.8	44.6	44.0	45.6	45.7	46.9
Poverty rate (% below $2/day at 1993 PPP)	73.3	76.1	76.1	75.0	74.6	75.1	76.0	76.6
Number of people (on less than $2 per day) (million)	287.9	326.0	355.2	381.6	410.4	446.8	489.1	516.0

Source: World Bank 2004.

TABLE 1.4 Poverty in the former communist Balkan countries (international and national poverty lines)

Region/country	Population under the national poverty line (%)				Population under the international poverty line (%)			Gini coefficient
	Year	Rural	Urban	Total	Year	Popul. under $2 a day	Poverty gap at $2 a day	
South Europe (non-EU member states)								
Croatia	–	–	–	–	2000	<2	<0.5	0.290
Bulgaria	2001	–	–	12.8	2001	23.71	10.1	0.319
FYR Macedonia	–	–	–	–	1998	4.01	0.6	0.282
Bosnia-Herzegovina	2001–02	19.9	13.8	19.5	2001	–	–	0.262
Romania	1994	27.9	20.4	21.5	2000	20.5	5.2	0.303
Albania	2000	29.6	–	25.4	2002	–	–	0.282

Source: World Development Indicators 2004.

The MENA countries The timing and pace of economic reform under the structural adjustment programmes significantly differ among MENA countries. Morocco took the lead in embarking upon economic restructuring in the early 1980s. Since then it has undergone various phases of structural adjustment, while the parliamentary vote of support for extensive privatization in late 1989 further boosted economic liberalization. Tunisia followed suit, as in mid-1986 the country virtually ran out of foreign currency to cover imports and turned to the IMF for an agreement on new loans. From the mid-1980s onwards Tunisia introduced various reforms in keeping with the key restructuring components stipulated by the international financial agencies. Since the late 1980s/early 1990s pressing economic problems have persuaded governments in other MENA countries (for example, Egypt, Jordan, Libya, Algeria and even Syria and Iran[33]) to adopt structural reforms along the lines of economic liberalization.

The World Bank data show a reduction of poverty in the MENA countries over the 1980s and an upsurge in the last decade (Table 1.3). These trends are indeed alarming. In comparative terms, however, poverty rates in MENA countries remain much lower than in other developing regions – even lower than in regions and countries that are held to be examples of economic development success (for example, South-East Asia).

Most of the economic growth in MENA countries took place during the period of the oil-price boom (1975–85) and this considerably helped to reduce poverty. In the period of economic stagnation, followed by economic reform and structural adjustment, poverty began to rise. Thus, the number of people living below the poverty lines of $1 PPP and $2 PPP increased by about two-thirds from the early 1990s to 2001. In respect of the $1 PPP poverty line, the incidence of poverty in the Middle East appears to be comparatively low. Yet on the basis of the $2 PPP line, the extent of poverty rose sharply, reaching 23.2 per cent in 2001.[34] Nevertheless, the headcount rate is still half that of South and East Asia and a third of that in sub-Saharan Africa. Furthermore, as shown by Adams and Page (2003: 2028–9), inequality in the region is not particularly high (in the 1990s the average Gini coefficient for the MENA amounted to 0.357; the corresponding figures for eastern Europe and Central Asia, South Asia, Latin America and sub-Saharan Africa were 0.343, 0.336, 0.484 and 0.412).

Table 1.5 presents poverty trends in a few MENA countries for which there are available data on the basis of national poverty lines. Some countries – among them Algeria, Egypt, Jordan, Morocco, Tunisia and Yemen – have conducted household surveys since the 1980s. In the mid-1990s to 2000 the overall headcount index of poverty ranged from a high of 41.8 and 46.3 per cent in Yemen and Mauritania, respectively, to a low of 7.6

per cent in Tunisia.[35] In Egypt, Jordan and Algeria there was a large rise in the poverty headcount during the 1980s and early 1990s. The rate of increase slowed down during the rest of the 1990s, but the poverty incidence remained well above that of 1986/87 in Jordan, and close to that of the early 1980s in Egypt. In Algeria the poverty rate almost doubled between 1988 and 1995 (see Chapter 13). In Morocco poverty significantly decreased in the second half of the 1980s but grew again during the 1990s. Only Tunisia succeeded in reducing poverty and income inequality under the structural adjustment programme. Available data for Tunisia, however, go up only to the mid-1990s; by that time Tunisia exhibited the lowest incidence of poverty among the MENA countries included in Table 1.5. Also, in Tunisia the depth of poverty remained at a comparatively low level over the first half of the 1990s (see Chapter 12).

Overall Gini coefficients of inequality in the countries examined are comparatively moderate. At the turn of the century they ranged from 0.334 in Yemen to 0.430 in Iran. Egypt and Jordan have somewhat more equal income distributions than Morocco, Tunisia and Algeria.[36] To the extent that there is available information, no major changes in patterns of inequality are observed. In Jordan the Gini coefficient rose between 1986/87 and 1992 and then returned to its prior level in 1997, while in Tunisia it fell in the late 1980s but rose slightly in the first half of the 1990s. For Morocco and Egypt no significant changes are found.

As stressed by various studies, migration trends and remittances to the MENA countries constitute an important factor affecting poverty trends (Adams 1991; Adams and Page 2003). Migration trends differ significantly between the Maghreb and the Mashreq countries. Out-migration from the Mashreq has predominantly been oriented towards the oil-producing Gulf countries. On the other hand, the prevalent destination of migrants from the Maghreb has been western Europe (including southern Europe). Between the mid-1970s and the early 1990s, in Algeria, Morocco and Tunisia workers' remittances grew from roughly 2 per cent to nearly 4 per cent of GDP. They rose rapidly to about 6 per cent of GDP in the next couple of years but have remained unchanged since then (Adams and Page 2003: 2030). In Egypt, Jordan, Yemen and Sudan[37] we observe a more spectacular increase: from zero in the period prior to the oil-price boom to about 8 per cent in 1977, and then to a peak of roughly 14 per cent in the mid-1980s, followed by a decline and a second peak in 1992. Since then workers' remittances have declined steadily, down to nearly 6 per cent at the end of the 1990s.[38] Adams and Page (2003) provide evidence of a significant impact of remittances on poverty reduction, and in the case of Egypt they argue that migration/remittances had a particularly positive effect on the livelihood of the rural poor,[39] while the abrupt decline of migration had serious repercussions on poor households (see also Adams 1991).[40]

A common feature in all the countries is that poverty incidence and intensity are higher among rural residents, although urban poverty has been increasing since the early 1990s. Morocco and Egypt constitute two contrasting cases in respect of the rural/urban gap. The gap is wider in Morocco (also in Tunisia, but data are available only up to 1995 in this case) and narrowest in Egypt. For Morocco, which took the lead in introducing economic reform in the MENA region, the effects on inequality and poverty have been mixed. Although the incidence of poverty is lower than in the mid-1980s, an upward trend, particularly in rural areas, is evident over the last decade, while the depth of poverty has increased considerably (mostly in rural areas).[41] Furthermore, if we also take into account a number of other social indicators, such as life expectancy at birth, the percentage of undernourished people within the total population, underweight children as a percentage of children under five, access to piped water and sanitation, adult activity rates and unemployment, as well as the overall Human Development Index (Table 1.2), Morocco is ranked only slightly above Sudan and Mauritania, which are the two least developed MENA countries.

On the other hand, Egypt, which has carried out a relatively successful land reform and adopted liberal policies in a more moderate way, exhibits lower levels of inequality and a smaller urban/rural gap. Overall poverty is comparatively high,[42] however, and the poverty gap, both in rural and urban areas, has increased significantly (Egypt exhibited the highest poverty gap indicator for urban areas in 2000, and the second highest for rural areas; Table 1.5). In terms of other social indicators Egypt's performance is a little better than that of Morocco (Table 1.2). As stressed by El-Ghonemy (1998: 201) there is ample evidence that since the late 1980s successive structural adjustment programmes in Egypt 'seriously hurt the existing poor and created a group of "new" poor especially in urban areas', as devaluation and rising inflation clearly raised the overall cost of living. Moreover, a recent study on the dynamics of poverty in Egypt, based on panel data for the two-year period 1997–99, found a significant decrease in household consumption at almost all points along the distribution, despite improvements in macroeconomic performance at the end of the decade (Haddad and Ahmed 2003). Most importantly, this study shows that poverty is predominantly chronic in Egypt and identifies the factors that influence this condition, namely: 'the average years of schooling of adult household members' (which strongly reduces chronic poverty), 'the value of land and livestock', 'the number of children under 15 and household size', 'the location of residence (with urban households less likely to experience chronic

TABLE 1.5 Poverty in some MENA countries (international and national poverty lines)

Region/ country	Population under the national poverty line (%)							Gini coefficient	Population under the international poverty line (%)	
	Year of survey	Rural		Urban		Total			HI under $2 per day	PGI at $2 per day
		HI (%)	PGI (%)	HI (%)	PGI (%)	HI (%)	PGI (%)			
Jordan	1986/87	4.4	–	2.6	–	3.0	0.3	0.361		
	1992	21.1	5.1	12.4	3.1	14.4	3.6	0.400		
	1997	18.2	4.0	10.0	2.1	11.7	2.5	0.364	7.4	1.4
Tunisia	1985	19.1	–	4.6	–	11.2	–	0.430		
	1990	13.1	3.2	3.5	0.7	7.4	1.7	0.400		
	1995	13.9	3.1	3.6	0.7	7.6	1.6	0.417	10.0	2.3
Turkey	2000/02	–	–	–	–	–	–	0.440	10.3	2.5
Iran	1998	–	–	–	–	–	–	0.430	7.3	1.5
Algeria	1988	16.6	–	7.3	–	12.2	–	–		
	1995	30.3	–	14.7	–	22.6	–	0.353	15.1	3.6
Egypt	1981/82	16.1	3.1	18.2	3.5	17.2	–	–		
	1990/91	28.6	4.5	20.3	4.3	25.0	–	–		
	1995/96	23.3	4.3	22.5	4.9	22.9	–	–		
	1997	24.3	6.4	22.5	5.6	23.5	6.7	0.350		
	1999/00	**	–	**	–	16.7	–	0.390	43.9	11.3

Morocco	1984/85	32.6	–	17.3	–	26.0	–	0.397		
	1990/91	18.0	3.8	7.6	1.5	13.1	2.7	0.393		
	1998/99	27.2	6.7	12.0	2.5	19.0	4.4	0.395	14.3	3.1
Yemen	1998	45.0	–	30.8	–	41.8	–	0.334	45.2	15.0
Mauritania	1996	65.5	–	30.1	–	50.0	–	0.373	68.7*	29.6*
	2000	61.2	–	25.4	–	46.3	–	–	–	

Sources: UNDP 2003a; Page and van Gelder 2002.
Notes: [HI= headcount index; PGI = poverty gap index] * Data refer to 1995 ** For 1999/2000 data refer to: Upper Egypt rural areas (34%), Lower Egypt rural areas (19%), Upper Egypt urban areas (19%), Lower Egypt urban areas (6%) and Metropolitan areas (6%).

poverty)', and 'employment activity [...] in non farm sectors (which reduces total and chronic poverty)' (ibid.: 79–80). In policy terms, the results indicate that safety-net measures are not enough to reduce poverty but should be linked to more comprehensive asset redistribution policies.

Jordan and Tunisia, which are the least poor countries of the region, are ranked much higher than Egypt and Morocco in terms of the social indicators presented in Table 1.2 (and in terms of the overall Human Development Index; see also Estes 2000 and Shaban et al. 2001). Nevertheless, the percentage of undernourished people is comparatively high in Jordan (there are no available data for Tunisia).

Overall we observe a comparatively low share of undernourished people in the total population of the MENA countries (with the exception of Sudan, Yemen and Mauritania[43]). In 2000 this share ranged between 3 and 7 per cent in the high- and medium-income MENA countries (compared to 6–18 per cent in the former communist Balkan countries). In terms of other social indicators, however, the performance of the region appears to be as alarming as, or even worse than, that of the former communist Balkan countries. The share of underweight children (as a percentage of under-five-year-olds) ranged between 3 and 46 per cent. Quite high figures in this respect are found in Sudan, Yemen and Mauritania, but also in most of the oil-rich countries (Kuwait, UAE, Saudi Arabia and Iran).

In 2001, life expectancy at birth was less than seventy in ten MENA countries (and in three of them – Sudan, Yemen and Mauritania – it was less than sixty). Another striking characteristic concerns the comparatively high illiteracy rates in most of the MENA countries. Illiteracy among women is particularly high, and this is also reflected in the quite low activity rates among women in the region: strikingly low female activity rates – 20 per cent and below – characterize Jordan, Saudi Arabia, Iran, Algeria, Egypt and the Occupied Palestinian Territories.[44] This is a strong indication of a low level of human capital development, which affects the female population in particular. Furthermore, given the close association between poverty and lack of human capital, one expects to find higher poverty rates among women in the MENA countries, although for several countries sex-segregated information on poverty incidence is not available. Illiteracy also reflects unbalanced priorities in public spending, as in most MENA countries defence has absorbed roughly 50 per cent of public expenditure from the 1960s onwards.[45] In addition, El-Ghonemy traces significant imbalances in education policy, as in some countries enrolment in universities quadrupled, while in primary education it increased by a meagre 29 per cent and drop-out rates remained high (1998: 92–101).[46] Tunisia stands out among MENA countries. Since the early 1970s it has persistently followed an order of priority in public spending according to which education (and health) took the lead (absorbing about 40 per cent of the total public expenditure), while defence was last.

Overall, avoidance of outright hunger, despite poverty aggravation and moderate to low performance in terms of a number of social indicators, is the key characteristic of the MENA countries. This is due to the fact that, despite significant cuts in food subsidies as a result of the structural adjustment programmes, 'the commitment of Middle Eastern countries to protecting the nutritional levels of their (substantial) disadvantaged populations is striking, particularly in an international comparative perspective' (Richards 2003: 63). Again the example of Tunisia is illuminating. As austerity measures affected the public sector as well, Tunisia introduced two types of targeting schemes in order to protect the most needy. One is a system of direct transfers of food or money to those qualifying as needy (including the elderly, the handicapped, schoolchildren and poor families).[47] The other was an innovative self-targeting system of subsidized foodstuffs embracing a limited range of low-cost products, which, although available to all, were mostly bought by the poor. In this way targeting of subsidies improved significantly so as to benefit predominantly the poor (Egset 2000: 54). Even so, throughout the 1990s there was little or no reduction in the proportion of undernourished people in the region, and despite the fact that the rate is not very high in comparison to other developing areas, the MENA region as a whole is not likely to meet the Millennium Development Goal of halving hunger by 2010 (UNDP 2003a, 2003b).

Finally, future prospects of pro-poor growth in the region seem to be bleak, as it is highly unlikely that the two factors that helped to produce and maintain comparatively moderate levels of poverty in the MENA – international migration remittances and public employment – will continue to exert the same influence in the future. A continued low-growth scenario for the region and diminishing migration opportunities, particularly to the oil-rich countries, limit the well-worn strategies of increasing remittance earnings and public sector employment growth (in parallel with commodity-based subsidies) that accrued from oil rents and aid flows. Owing to changes in technology, oil booms similar to those of the 1970s, which could increase the demand for unskilled migrants from the Mashreq and sustain aid to the poorer Arab countries, have little prospects in the future.[48] Remittance earnings in the Maghreb countries have grown steadily but modestly over the last two decades and have been primarily associated with migration to Europe. Yet they amount to a much lower share of GNP than in the Mashreq economies, and prospects for increasing migration to Europe are not very favourable given the fact that the Euro-Med agreements aim to reduce migratory pressures from North Africa by promoting growth in incomes and jobs in the migrants' countries of origin. Failure to effect such developments may stimulate political pressure in Europe in favour of more direct controls on immigration flows.

On the other hand, the standard remedies of the 'Washington Consensus' are very likely to increase poverty and worsen the distribution of income, through rising unemployment, reduction of real wages, removal of food subsidies and overall deterioration in purchasing power as a result of severe devaluation. Some authors strongly question the chances of success of the 'Washington Consensus' policies as most MENA countries suffer from significant weaknesses in international export markets compared, for instance, with eastern Europe and South and South-East Asia.[49] Moreover, as a result of fast population growth in previous decades, the labour force is rapidly expanding, so that 'provision of sufficient jobs via the "private-sector-led export model"' clearly cannot be credible (Richards 2003: 65). Problems are also compounded by the fact that the labour force is overwhelmingly illiterate, as stressed above.

In confronting the challenge for policy-makers in MENA countries to design programmes of socio-economic change that can accelerate pro-poor economic growth, a major issue is that of democratic transition in most countries of the region. This is indeed a complex matter and its investigation cannot be tackled here. Suffice it to stress, however, that one dimension of globalization might have an important effect in this respect in the future. This concerns the growing momentum of international debate on ideas of human rights and political participation, which has placed citizen participation (in parallel with economic rights) on the political agenda and may thus help to open new spaces for social mobilization in the region and, it is hoped, new arenas of cooperation in the Mediterranean area.

The structure of the volume

A thorough analysis of patterns of socio-economic restructuring and their different effects on social inequality, poverty and deprivation in each of the major groups of countries in the Mediterranean area lies outside the scope of this volume. Our aim here is to highlight some of the major issues in poverty research in the various countries examined, and to give an overview of the analyses pursued, and the concepts and poverty measures used. Poverty phenomena are approached from different disciplinary fields and explanatory viewpoints. Hence, methodological choices and analytical focuses vary significantly among contributions: from qualitative, social (and socio-anthropological) analyses to more quantitatively oriented studies (on the basis of econometric models). Furthermore, some contributions are country specific, while others investigate poverty patterns and trends in specific regions of the Mediterranean area. This multi-disciplinary character can enrich poverty analysis in the area.

The book is divided into two parts. The first part focuses on the southern European EU member states, the Balkan transition countries and Turkey, while the second part examines a number of countries of the MENA region.

In Chapter 2, Papatheodorou and Petmesidou investigate poverty trends and profiles in Greece, Italy, Spain and Portugal during the second half of the 1990s. After a brief review of the broader welfare framework, its major imbalances and the pressures facing the neglected policy field of social assistance in southern Europe, the authors discuss and compare the patterns of inequality and poverty phenomena in the four countries on the basis of the European Community Household Panel (ECHP) data. The emphasis is on how effective social transfers (and their constitutive elements) have been in reducing inequality and poverty and what trends can be observed since the mid-1990s. In addition, the redistributive impact of social transfers is assessed from the point of view of various characteristics of the income recipient units in each country (i.e. household size and type, age, gender, education and employment status of the household head). The empirical analysis extensively highlights the overall low redistributive effect, particularly of 'social transfers other than pensions' in southern Europe. Yet, at the same time, it underscores some distinctive patterns among the countries examined, as to the constitution and profile of household groups with a high poverty risk, which also strongly relate to differences in policy priorities and reform agendas.

In Chapter 3, Saraceno presents the main features of poverty in Italy and examines anti-poverty policies in the European and national context. Her main argument is that even though Italy has a comparatively high poverty rate in EU terms, its anti-poverty policies remained fragmented and open to uncritical influences by a major shift in European social policy 'from poverty to social exclusion and from income support to welfare to work and activation'. Saraceno points out the major controversies surrounding the discourse on social exclusion, particularly in respect of gender and individual social rights. She also highlights the way the shift of advocacy from income support to workfare at the European level has affected the policy priorities of the Italian welfare-state regime, which further marginalizes the scarcely developed (and highly fragmented) social assistance system. Under the conditions of extensive inter-generational reproduction of poverty, as in the case of Italy, Saraceno stresses the need for a policy reform package that integrates a nationally regulated minimum income guarantee (of a universal character) with activation measures, while at the same time promoting a defamilialization of welfare, higher participation of women in the labour force and increased individualization of social rights.

In Chapter 4, Pereirinha investigates poverty profiles and trends in Portugal, examines the impact of certain policy measures, and outlines the way in which the concepts of poverty and social exclusion made their entrance into the political debate. The author employs alternative concepts and definitions, emphasizes their impact on policy, and utilizes data and findings from a number of empirical studies and administrative bodies. As mentioned above, Portugal (like Greece) is the country with the highest poverty rates in the EU-15 and, undoubtedly, the country where social transfers have had the weakest impact on alleviating poverty. Pereirinha points out that combating poverty and social exclusion became part of the political discourse only after the mid-1980s, when the country joined the EEC. As an issue of social concern, its significance increased in the 1990s. The author highlights the social and political factors that led to this growing concern and to the change of social policy orientation, and comments on the adequacy of the relevant policy measures. He emphasizes the role of the Guaranteed Minimum Income (GMI), which is recognized as the most important policy measure for alleviating poverty and social exclusion. GMI is an active measure in the sense that it requires the involvement of various social actors (and the active participation of the beneficiaries). Also, one could argue that it exemplifies the EU policy orientation towards a more positive approach to workforce activation (linking flexibility with security). The Portuguese GMI scheme, however, appeared to have a limited impact on poverty alleviation, mainly because of its inadequacy in dealing with persistent poverty and assisting that part of the population which is unable to participate in integration programmes.

In Chapter 5, Veiga takes up the issue of poverty among illegal migrants in Spain. Legal and illegal migration flows to the four southern European EU member states have rapidly increased over the last decade, following the collapse of communism in eastern Europe and adverse socio-economic and political conditions in various parts of the MENA region. Veiga points out that successive legal reforms in Spain aimed at tackling problems associated with the social and economic integration of migrants hardly created ‘a culture of regularity’. Even when provided with a work permit, migrants may be unable to secure legal employment and instead end up taking jobs with employers unwilling to comply with employment terms defined by law. Stigmatizing practices and extreme exploitation in the parallel economy seriously affect livelihoods and increase the risk of destitution or even hunger among this group. On the basis of fieldwork data, the author extensively illustrates the vulnerable situation in which illegal immigrants find themselves. Employers often deny them payment and official or unofficial assistance is either scarce or non-existent. Poverty spells constitute a frequent experience for illegal migrants who may go hungry for days and live close to subsistence. Furthermore, the need to support family and kin in their place of origin (through their remittances) exerts strong pressures upon the migrants' livelihoods, even when they earn a more or less regular income.

In Chapter 6, Redmond looks at Poverty Reduction Strategy Papers in Albania and the countries of Former Yugoslavia (Bosnia-Herzegovina, FYR Macedonia and Serbia and Montenegro). By systematically examining four policy areas – poverty analysis, privatization, employment policy and social protection – Redmond highlights the influences of the World Bank and the IMF in the context of the recent history of these countries. He points to the communist legacy, the recent ethnic conflict and the war in the region, as well as to the social and economic dislocation associated with the transition process. Indeed, the World Bank and the IMF influences are clearly visible in the strategies. Redmond argues that this impact cannot be explained only in terms of the power that Bretton Woods institutions have to impose the policies. The relative weakness of these states, their uncertain legitimacy and weak civil society participation also play a part. Nevertheless, the countries could potentially benefit, first because these strategies present long-term plans for economic growth and poverty alleviation, and second because governments are becoming accountable for their progress. The latter could strengthen civil society participation in the future. Redmond underlines the fact that the strategies are not coherent, however, and do not take into account the impact that policies in one sector may have on other sectors. Thus, the impact of certain policies for economic growth (such as deregulation and privatization) on inequality and poverty is not accounted for. In addition, these strategies appear to take it for granted that all ethnic and regional groups will benefit equally from economic growth. In proposing to strengthen the targeted welfare regimes, the strategies do not seem to consider their potentially oppressive nature.

In Chapter 7, Bićanić and Franičević discuss inequality, poverty and exclusion in the south-eastern European transition economies as a consequence of economic and political change. The group of countries examined are Albania, Bosnia-Herzegovina, Bulgaria, Croatia, FYR Macedonia, Serbia and Montenegro, Slovenia,[50] and Romania. As a group, these countries share some specific features of social and economic development, compared to other economies in transition. The authors argue that the process of transformation has generated certain unexpected and undesirable developments and pathologies in these economies. Central among them is the increase in poverty and inequality during the 1990s, which has reached alarming levels and threatens the legitimacy of the transition process.[51] The rise of inequality and poverty is considered inherent in the transformation guided by the liberal tenets (and ideology) of deregulation, privatization and liberalization of the economy. The authors seek, however, to find an adequate explanation to account for the larger increase in inequality and poverty in the economies in question, compared to other transition economies. The worrying phenomena they describe raise serious concerns for the future of social and economic development, and for the consolidation of democracy in this group of countries. Bićanić and Franičević present data on the inequality and poverty that these economies exhibit, and discuss conceptual and methodological problems related to these measurements. They examine several policy implications related to high inequality and poverty, and stress the importance of subjective understandings of poverty and inequality for the legitimacy of the reforms. The authors conclude that solving the problem of transformation legitimacy – with regard to equity, fairness and opportunities – may be of equal importance to solving the problem of economic growth.

In Chapter 8, Kalaycioğlu discusses poverty risk and survival strategies in respect of the 'chain migration' pattern characterizing Turkey. She offers a thorough analysis of the structure and dynamics of social and family networks, and their central role as welfare providers and buffer mechanisms against poverty and deprivation. For several decades, the social integration of internal immigrants in Turkey was affected on the basis of: a strong (inter-generational) family/kin solidarity that facilitated the pooling of resources through unified decision-making processes (which is binding for kin members in rural, urban and even overseas locations); access to informal housing in squatter housing areas (*gecekondu*) surrounding urban centres; and employment opportunities sought on the basis of kinship and patron–client relations.[52] Kalaycioğlou stresses the positive and negative aspects of this model of social welfare. On the one hand, the dense networks of family/kin and community ties have for a long time counter-balanced the scarcity of welfare state support. On the other hand, however, this model generates strong inter- and intra-generational dependencies, restrains individual freedom of choice and sustains gender inequalities (limiting women's empowerment).[53] Under these conditions poverty phenomena remain highly invisible, barely reaching public debate and awareness[54] despite their growing scale and intensity, especially over the last decade. Furthermore, changing socio-economic conditions have progressively weakened the very social fabric that sustained informal support, and thus risks of falling into poverty have greatly increased (both in rural and urban areas). This is all the more prevalent as formal social assistance is absent, and the neo-liberal turn in public policy over the last two decades leaves little room for reform that could secure citizenship-based welfare structures.

In the second part of the book, in Chapter 9 Silber and Sorin investigate poverty in Israel. In order to build a frame of reference for their analysis, the authors provide a brief review of poverty characteristics in Israel and in two neighbouring countries, Egypt and Jordan. Despite significant differences between these countries in economic growth and in the standard of living, and despite the different methodologies applied in measuring poverty, the profiles of the poor are almost identical. The authors proceed to an examination of multi-dimensional poverty in Israel by applying three 'fuzzy set' approaches to the data of the Consumption Expenditures Survey conducted in 1992–93. We would like to stress here that the alternative approaches based upon the 'fuzzy set' methodology adopted by the authors do not produce totally different and indefinite measurements. Were this the case, it would certainly lead to confusing and vague results that could hardly promote a political platform in favour of resolutely attacking poverty. As the analysis indicates, the three approaches used are closely approximate and overlap in terms of around 2 per cent of poverty in Israel. Moreover, the poverty rates calculated on the basis of each approach are higher than the results obtained by using a traditional one-dimensional approach. In addition, the three approaches agree on the main characteristics of the poor and on the causes of poverty in Israel. Unemployment, low education, large families or single status and the new immigrants are recognized as the main determinants of poverty. The authors strongly argue in favour of multi-dimensional methods in the measurement of poverty and discuss the policy implications of their findings.

In Chapter 10, Hilal focuses on the extent of poverty and its causes in the Palestinian areas. His analysis is based on quantitative and qualitative data collected in the West Bank and the Gaza Strip during 1997–2001. Poverty slightly declined at the end of the 1990s but has risen sharply since September 2000 (when the second Intifada erupted). It almost tripled by the end of 2002 owing mostly to the deterioration in Israeli–Palestinian relations and the war-like conditions that have rapidly been imposed on the Palestinian areas since autumn 2000. Wide variations in poverty incidence are observed by region, district and type of locality, however. These are accounted for by varying labour market conditions and pay levels, the extent to which Palestinians have access to the Israeli labour market, and the availability of basic services and income from remittances (from kin emigrants in North America and the oil-producing Gulf states). Central to Hilal's argument on the causes of increasing poverty is the overall low degree of economic integration of the Palestinian areas. This results in a 'disjointed' economy extensively dependent on the much stronger and larger Israeli economy. Such external factors, in connection with internal ones (i.e. class background, occupation, gender, etc.), produce particular profiles of the poor. Hilal also examines people's perceptions of impoverishment and the means deployed by households to deal with deprivation and hardship, with an emphasis on the prominent role of women in managing survival strategies.

In Chapter 11, Haladjian-Henriksen provides a brief account of the social stratification obstacles to formal poverty alleviation policies in Lebanon. As stressed also by other authors (Harb 1999; Jawad 2002), Lebanese society exemplifies a particular socio-political configuration that combines – albeit in a non-consolidated way, as the fifteen-year civil war (1975–90) manifests – traditional, feudal characteristics with capitalist, modern aspects of social organization.[55] The country's prevailing characteristic is a high degree of social fragmentation on the basis of religious differences, and 'family-religious-tribal ties' are strong elements of self-identification.[56] This sectarian configuration imposes limits on society-based welfare structures and hardly encourages civic engagement and its underpinning values of trust, generalized reciprocity and universalistic citizenship rights. Religious organizations and/or kinship-tribal networks (in close association with *wasta*, i.e. political intermediation) are the main providers of welfare support, yet in a way that creates large rifts, exclusions and a high risk of destitution. In this context, poverty is held to be a taboo issue of public debate. Systematic data on household/individual incomes are lacking, and the state's role in poverty alleviation and social welfare is minimal,[57] even though there are strong indications that deteriorating economic conditions over the 1980s and 1990s have deepened polarization and increased poverty and deprivation.

In Chapter 12, Baliamoune-Lutz discusses the trends and the main features of inequality and poverty in the Maghreb, with particular emphasis on Morocco, where more recent data were available. Her analysis utilizes a variety of data, information and estimates, provided mainly by international organizations such as the World Bank and the United Nations, but also by national surveys. The author extensively documents the different poverty patterns and trends in Tunisia, Morocco and Algeria. In the first half of the 1990s Tunisia was the only country that succeeded in reducing poverty rates and improving a number of other social indicators, such as life expectancy and literacy. In contrast, Morocco and Algeria saw a significant increase in poverty. Algeria, in particular, has the highest poverty rates but the lowest levels of inequality. The author stresses the multi-dimensional nature of poverty and inequality in the Maghreb. The analysis focuses on the significant rural/urban differences in poverty rates (poverty is higher in rural areas) and on the high gender inequality that these countries exhibit. By investigating the trends and the determinant factors of poverty and of the various aspects of inequality – mainly in Morocco – Baliamoune-Lutz highlights the impact of economic growth, as well as the role of policies and economic reforms, such us trade liberation, financial reforms, privatization and integration in world markets.

In Chapter 13, Benhabib, Ziani and Maliki examine poverty in Algeria during the economic reforms. Since the country's implementation of a structural adjustment programme, assisted by the World Bank and the IMF, Algeria has experienced a major increase in poverty, unemployment and inequality, and also a worsening of certain social indicators such as health, education and housing. Moreover, the social protection programmes applied in the country since 1991 appeare to have been ineffectual in eradicating poverty and assisting those in need. The authors discuss these issues using published data and information provided by international organizations and administrative bodies. They thoroughly examine the country's poverty profile and the factors that are accountable for the evolution of poverty during the economic reforms, utilizing data from a survey conducted in the region of Tlemcen. Starting from the premise that poverty is a multi-dimensional phenomenon, they employ an econometric analysis bringing into consideration a number of quantitative and qualitative variables, such as household composition, place of residence, educational status, health status and occupation. Among other things, their findings stress the importance of factors other than income in determining living conditions and point to the dramatic increase of poverty in rural areas.

Finally, in Chapter 14, Peter Townsend provides a commentary on the contributions to this volume from the point of view of a human rights strategy in the fight against poverty. He succinctly links the major issues raised in this book with crucial considerations in the debate on global poverty that have a strong bearing on national and international policy priorities. Such considerations include how to reach scientific and political consensus, regionally and internationally, about the definition and measurement of poverty in order to overcome the serious limitations of arbitrary measures (for example, the World Bank's alternative poverty lines). This is an important condition for unravelling the causes of poverty, defining realistic policy priorities and designing courses of national and international action that underpin '"preventative" and not merely "curative" requirements of anti-poverty policy'. After briefly reviewing variations in the scale of poverty in the broadly defined (in this volume) Mediterranean area, he offers a basis for a 'creative use of the human rights framework' in order to illuminate how regional initiatives can promote a strategic approach to anti-poverty policies. The thrust of his argument lies in the strong case he makes for combined action by national bodies, inter-regional partnerships between Mediterranean countries – including affiliation to the EU by countries that have already acquired candidate status (i.e. Bulgaria, Romania, Croatia and Turkey), those that will possibly join in a future stage of enlargement (for example, the western Balkan countries), and those that are judged unlikely to join the EU in the near or not so near future (i.e. the countries of North Africa and the Middle East) – and international forces (for example, the UN). Such action would support extension of the rights to universal social security and an adequate standard of living across the Mediterranean countries, and particularly to those countries where poverty is most severe.

Notes

1 See, for instance, the statement by European social scientists on the need for an international approach to defining and measuring poverty (Townsend and Gordon 2000: 17).

2 For a presentation and brief discussion of the definitions of absolute and relative poverty, with the aim of developing valid and operational measures of poverty, see Gordon et al. (2000). Put briefly, from the perspective of the Copenhagen Declaration: 'absolute poverty means not having the basic necessities of life to keep body and soul together', while 'overall poverty is not having those things that society thinks are basic necessities and, in addition, not being able to do the things that most people take for granted either because they cannot afford to participate in usual activities or because they are discriminated against in other ways' (ibid.: 49–52). Also the Poverty and Social Exclusion Survey in Britain (ibid.; Gordon 2002) constitutes a significant attempt to operationalize a common scientific definition of poverty along the lines of the Copenhagen Declaration. Furthermore, an informative, coherent and critical presentation of the scientific and political debate on the theory and measurement of poverty, and also on the analysis of poverty at an international level, can be found in Townsend (1993). An overall appraisal of various indicators for measuring and assessing poverty and social exclusion (particularly within the EU) is presented in Atkinson et al. (2002).

3 A term coined by Williamson (1993) for denoting the impact of neo-liberal tenets on development policy, internationally, over the last two decades. A further elaboration upon this term by Krugman cogently expresses the dynamics of this impact: 'By "Washington" ... [is] meant not only the US government, but also all those institutions and networks of opinion leaders

centred in the world's de facto capital – the IMF, World Bank, think tanks, politically sophisticated investment bankers, and worldly finance ministers, all those who meet each other in Washington and collectively define the conventional wisdom of the moment' (quoted by Bøås and McNeill 2004: 224).

4 In broad terms, we define our area of analysis as the zone surrounding the Mediterranean, which, however, also encompasses countries that have no immediate access to the Mediterranean, e.g. a number of Balkan and MENA countries as well as Portugal.

5 For a former attempt in this direction see also Korayem and Petmesidou (1998).

6 Algeria, Morocco and Tunisia.

7 Egypt, Jordan, Lebanon, Syria and Yemen.

8 As Gordon et al. (2000: 84–5) point out, such a compartmentalization of analysis has been particularly influenced by the international organizations' approach to poverty (particularly the emphasis on the World Bank's $1 per day poverty line), which, although designed as a universal poverty line that could permit cross-country comparisons, turned out not to be a 'global' poverty line, as 'it is not assumed to be applicable to countries other than the poorest ... One absurd result of this has been the proliferation of different standards for different regions – as in UNDP reports – without any attempt to explore whether there might be, e.g., an international standard with topping-up variable standards conditioned by the particular circumstances of individual countries and regions'.

9 Also among the countries created by the break-up of Former Yugoslavia, Slovenia is distinguished for its much better socio-economic performance. As we briefly mention below, however, for various socio-historical reasons Slovenia is considered to be closer to central than to south-eastern Europe. Thus, we did not include it in this introductory account (for the ambiguity as regards Slovenia's place in the major divisions of Europe see also Chapter 7 in this volume, where the authors view it as sharing some characteristics with other Mediterranean countries but not capable of being defined as a south-eastern European country). See also Stranovnik and Stropnik (2000) for an emphasis on the strong tradition of liberal democracy and the entrepreneurial ethos in Slovenia.

10 See, for instance, the historical studies that trace the links between the Asiatic mode of production and eastern autocracy and examine historical trends that influenced and reproduced authoritarian politics in the Middle East in the last century; as well as the debate on nation-building, the state and civil society in the Middle East (among others, Yu 2002; Norton 1995/96; Kandil 1995; Ismael 2001; Salvatore 2001; Valter 2002; Joseph 2002; for a different perspective that views traditional structures – i.e. tribal processes in Jordan – as a peculiar civil institution in the Middle East, see Antoun 2000).

11 In the four southern EU member states, estimates of the size of the informal economy rank Greece at the top with roughly one-third of GDP being produced in the informal sector (see Schneider 1999). The informal sector has also been rampant in the former communist Balkan countries. For the MENA countries it is estimated that 'between one-third and one-half of the workforce in the cities (Egypt, 43 per cent; Iran, 35 per cent; Turkey, 36 per cent; and

Yemen Arab Republic, 70 per cent) are active in the informal sector' (Bayat 2002: 6).

12 Unlike in (north-west) Europe, where the formation of nation-states took place 'in conjunction with the rise of bourgeois classes intent on asserting their authority autonomously from the state' (hence the distinction between the state and the arenas of civil society and the domestic realm), 'in the Arab world state-building emerged less as an expression of specific local class developments and more in conjunction with the demise of empires' (Joseph 2002: 10). Furthermore local elites used the state apparatus as a means of private accumulation of wealth (El-Ghonemy 1998: ch. 7). Similarities can be found also in respect to the formation of national states in the Balkan area in the nineteenth and early twentieth centuries. See, for instance, Tsoukalas (1981) for the case of Greece, and Petmesidou (1987) for a critical review of various socio-historical accounts of Greece.

13 In examining the strong grip of the state on civil society in Egypt, Ismael (2001: 443) comes to a conclusion that is relevant for the whole region; namely that, despite the continuing proliferation of socio-political organizations in Egypt over the twentieth century, the pattern of social structure, and particularly the role of elites and the state, renders the term 'civil society a term with no meaning'.

14 Another significant barrier to the transition to democracy in the Arab countries is what Waterbury (1999: 45) calls 'the pursuit of great quests', i.e. liberation from foreign domination, resistance to Zionism and economic development. According to Waterbury, Middle Eastern societies have given prominence to such quests. Furthermore, even though present regimes may have failed to attain goals attached to such quests, opposition groups seem to offer not 'democracy as an alternative to authoritarianism, but rather an untarnished instrument to pursue the same cause. In this view, so long as both civil society and the state believe in and pursue such quests, the emergence of genuine pluralism is difficult' (Richards 2003: 69). For an examination of opposition movements (and particularly the Islamist political movements) in MENA and the prospects of democratization, see Shadid (2001) and Salvatore (2001).

15 Or as Dillman (2000) put it in respect of Algeria, 'access to state-distributed rent'. Dillman offers an insightful analysis of the evolution of relations between private interests and the Algerian state after independence that as a general pattern – from a political economy perspective – could easily fit other MENA countries (or even south-eastern Europe). He emphasizes the paradoxical condition of the maintenance and reproduction of a comparatively bloated state apparatus (distributing a large amount of resources) that, however, has been inefficient in steering socio-economic development. In this context access to state resources (through public employment, protectionism and subsidies, or unlawful actions in the parallel economy tolerated by the state) has been a dominant socio-structural characteristic. These conditions exhibit similarities with the pattern of socio-economic development in Greece during the nineteenth and much of the twentieth century; see also note 9 above.

16 For instance, in Greece public sector employment functioned as a means of socio-political integration of rural-to-urban migrants in the decades

following the Second World War, and by the late 1980s public employees' salaries reached about 50 per cent of total salaries and wages (Petmesidou 2005: 38).

17 On which the north-western European welfare state has been anchored.

18 Bayat calls these practices 'quiet encroachment'. In post-revolution Iran, 'between 1980 and 1992 ... well over one hundred mostly informal communities were created in and around greater Tehran. The actors of the massive informal economy extended beyond the typical marginal poor to include the new middle classes, the educated salary-earners whose public-sector positions rapidly declined during the 1980s. In a more dramatic fashion, millions of rural migrants and the urban poor in Egypt have quietly claimed cemeteries, rooftops, and state and public lands on the outskirts of the city, creating largely autonomous communities. Greater Cairo contains more than 111 '*ashwã'iyyãt*, or spontaneous settlements housing more than 6 million people who have subdivided agricultural lands and put up shelters unlawfully. Throughout the country, 344 square kilometres of land has come under occupation or illegal construction mainly by low-income groups. Some 84 percent of all housing units from 1970 and 1981 were informally built' (Bayat 2002: 20).

19 The flows from the EU structural funds have partly contributed to this (and they also helped to increase social spending; see Petmesidou 2005).

20 That is, in the 1960s and early 1970s.

21 Even though, as stressed above, the size and the characteristics of the informal sector substantially differ between the MENA region and southern Europe, one could argue that a common trait across the Mediterranean concerns the big gaps in social protection with respect to the specific needs of a whole range of vulnerable groups, and particularly of informal sector workers (for a critical examination of such gaps in the Arab world, see Loewe 2004).

22 To a degree, another massive economic deterioration in these countries began with the debt crisis of the 1970s. Particularly in Former Yugoslavia 'the years preceding the break-up of the country and the initiation of war were ones of extreme economic deprivation comparable in scale to the great depression of the 1930s' (Gibbs 2003: 938).

23 There are no data available for Serbia and Montenegro.

24 Particularly so as 'in the short time span of a decade, immigrants – mostly illegal – came to represent roughly about 10 per cent of Greece's labour force ... a condition sharply contrasting to out-migration patterns traditionally characterizing the country ... The persistently high unemployment rate (11.2 per cent in early 2004) despite comparatively high growth rates in the last few years, further aggravated by plant closures and relocation to cheap-labour Balkan countries, is a stark indication of the policy challenges faced by the country and the Balkan region in the European (and global) context' (Petmesidou and Mossialos 2005: 10).

25 As argued by Diwan et al. (1998: 48), intense global competition makes it unlikely that the Middle East will experience an export boom similar to that of East Asia in the 1970s. Moreover, any further developments with regard to the linking of the MENA region with the global economy will be highly

influenced by agreements and regulations in the context of the World Trade Organization (WTO), as well as by the prospects for the full implementation of the Euro-Mediterranean Free Trade Agreement after 2010 (Page and van Gelder 2002: 21–3).

26 Among other things, reluctance could also be justified on account of the elites' unwillingness to face demands for more democratic forms of governance that might be prompted by growing economic liberalization (Richards 2003: 67–71).

27 For the similarities and differences in welfare structures among these countries and vis-à-vis north-west Europe, see Chapter 2 in this volume.

28 Based on poverty lines defined at 60 per cent of a country's median equivalent household income.

29 With the exception of female literacy rates in Albania.

30 As stressed above we exclude Slovenia (where transition did not extensively produce negative effects in terms of inequality and social polarization as in the other Balkan former communist countries).

31 See UNDP (2004), where Turkey features as the country with the worst performance in respect to HDI and GDI in southern Europe.

32 In 2001 Turkey suffered a severe economic crisis. This occurred during the 'Disinflation Programme', implemented under IMF sponsorship, and was initially designed to cover the period 2000–02. Owing to its effects on Turkey's economy, however, this programme lasted only one year.

33 In Iran, the government has repeatedly switched between statism and free-market policies since 1990. Similarly, in Syria, private initiative has gradually been promoted, although still under conditions of considerably high state control of the economy (Bayat 2002: 2).

34 These findings indicate that a large group of the poor in the Middle East have expenditures per person of between $1 and $2 per day.

35 On the basis of similarly derived, country-specific poverty lines, 'the headcount index of poverty for a sample of 12 Latin American countries varied from 75.5 per cent (Bolivia) to 12.9 per cent (Argentina) in the same period' (Wodon 2000). We should also take into account, however, the fact that for some MENA countries data are missing. Among them are Iraq and Sudan, which have large populations and where poverty rates are estimated to be relatively high, although the exact magnitudes are not known (Richards 2003: 62).

36 A comparison with Latin America tends to support the assertion based on the aggregate data that MENA income distributions are relatively egalitarian in comparison with other developing countries. Gini coefficients of inequality for a sample of twelve Latin American countries varied from 0.440 to 0.610 during the same period (Wodon 2000).

37 These have been the main labour exporters to the Gulf countries since the early 1970s.

38 Jordan, Yemen and Sudan suffered greatly following the 1991 Gulf War owing to the banning of both financial aid and migrant workers by oil-rich countries because the former supported Iraq against Kuwait. Furthermore, since the early 1990s the Gulf Cooperation Council (GCC) countries have been

keen to employ unskilled non-Arab workers (Adams and Page 2003: 2043; Richards and Waterbury 1996; UN 1998).

39 In addition, a large proportion of remittance earnings was invested in private housing and construction, and this served to increase employment (and income-earning) opportunities for the unskilled, rural poor who found jobs in the booming construction sector (Page and van Gelder 2002: 9).

40 There is also the aid provided from the oil-rich to the poor Arab countries in the second half of the decade. As El-Ghonemy (1998: 63) stresses, between 1973 and 1990 this aid was 'almost three times the Marshall Plan aid to Europe after the second world war … But donors did not seem to be interested in crushing destitution, unemployment and flagrant inequalities. With the prominence of military and political considerations, aid fluctuated sharply and almost half the multi-billion dollars of aid disbursed to poorer countries have ended up in rich industrialized economies via the world armament market.' Particularly in the countries in which the military component was prevalent in public expenditure, aid flows had no substantial positive effect on economic growth (e.g. in the case of Egypt, Jordan, Mauritania, Sudan and Yemen); while in Morocco and Tunisia, where defence expenditure was less prominent, financial aid was development oriented and had a positive effect.

41 The fact that Morocco has not implemented a formal land reform also accounts for the comparatively high rates of rural poverty until recently.

42 Some studies also pointed out regional inequality within countries as a prominent characteristic of poverty (either accompanying or surpassing urban/rural differences), which, to a greater or lesser degree, has been complemented by poor government allocation of resources in key social services such as health and education (El-Ghonemy 1998).

43 According to FAO data, undernourishment was also high in Iraq at the end of the 1990s (13.8 per cent) (Löfgren and Richards 2003). Iraq is not included in our table because of no comparable available information from the UNDP sources.

44 The low ranking of Arab countries in respect of women's participation in economic and political life has been repeatedly emphasized by various studies (Karam 1999; Charrad 2001; UNDP 2002; El-Kohly 2002; Baroudi 2004; for the extent and role of feminist activism in the Middle East, see Al-Ali 2003; also, for a critical examination of the emancipatory outcome of modernization for women, see Hasso 2000). A striking indicator is women's participation in respective legislatures in Arab countries: this is only 3.4 per cent and is 'the lowest *regional* figure in the world, following Sub-Saharan Africa and the Pacific (each with 11.7 per cent and 13.7 per cent respectively) … with the leaders in this domain being the Nordic countries, with as much as 38.9 per cent' (Karam 1999: 5).

45 This is true not only of the oil-rich countries but also of poor countries such as Yemen, where in the early 1990s US$11,600 per person were spent on the armed forces but only a meagre US$5 for health services (El-Ghonemy 1998: 95).

46 To these causes he adds a historical dimension that links illiteracy to 'a deeply rooted policy of educational discrimination pursued during

colonial rule'. Yet he also admits that 'an uncolonized oil rich country, as Iran' exhibited an even higher illiteracy rate in the early 1990s (El-Ghonemy 1998: 98–104).

47 It is estimated that by the mid-1990s the programme reached roughly three-quarters of those eligible (World Bank 1995: 41).

48 Also, according to Page and van Gelder (2002: 10) it is equally unlikely 'that GCC governments will reverse their policies of admitting migrant workers from countries outside the Middle East, thereby allowing a substitution of Arab for non-Arab unskilled labour'. Furthermore, 'given the long run decline in official development assistance from both Arab and non-Arab sources and the increasing number of claimants for aid', the chances for aid flows to return to the levels of the 1970s and 1980s are meagre, with negative effects on public employment opportunities (ibid; Page 1998).

49 'In particular, they lack adequate infrastructure and skilled labour, namely the "sergeants of industry" (e.g., foremen) that are necessary for modern industrial production … The situation in very poor countries like Yemen is far worse, of course. So, too, are the chances of success of Washington Consensus policies in these countries. For example, exports are highly unlikely to provide adequate food security or sufficient numbers of jobs (what would Yemen export that was not agriculturally based, other than its own people?). At the same time, domestic productive capacity has been damaged by population growth and property-rights issues (e.g. for groundwater); natural resource degradation may have gone so far as to be very difficult to reverse. Depleted aquifers, denuded hillsides and over-grazed steppes are poor foundations for *any* growth strategy' (Richards 2003: 64–5).

50 For Slovenia see also note 9 above.

51 As also admitted by the World Bank (2000), the increase in poverty in transition economies during the 1990s has proved considerably higher than expected at the beginning of the transition.

52 This model more or less typifies urbanization and social integration in other Mediterranean regions that are at the same or less advanced stages of urban development. A similar pattern also characterized Greece in the interwar period and the decades immediately following the Second World War (see Petmesidou 2005).

53 For a similar argument in respect of Italy, see also Saraceno (Chapter 3 in this volume).

54 For a review of the rather limited debate on poverty in Turkey until the early 1990s, see Petmesidou (1996).

55 For a long time 'Lebanon has acted as an intermediary between its oil-rich Arab neighbours and the West', specializing in banking and tourism (Jawad 2002: 322). The fifteen-year civil war greatly disrupted economic processes and put to the test the view that Lebanon was 'a paragon of successful modernization in the region'.

56 In fact Lebanon 'has the most concentrated mix of religious sects living in close proximity in the Arab region' (ibid.: 320).

57 It is illuminating that the only programme of poverty reduction in

the country was designed and introduced in 1997 by the UNDP agency in the country. It aimed to promote clarification of a national poverty line; yet estimates draw upon the World Bank's $1 per day line.

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ONE | The southern EU member states, the Balkan transition countries and Turkey

2 | Poverty profiles and trends. How do southern European countries compare with each other?

CHRISTOS PAPATHEODOROU AND MARIA PETMESIDOU

This chapter examines trends in poverty levels and profiles in Italy, Spain, Portugal and Greece on the basis of the European Community Household Panel (ECHP) data. We make use of data from waves 1 and 8 that refer to the years 1994 and 2001.[1] Inequality and poverty are analysed in the light of similarities and differences in social protection between the countries examined. Our emphasis is on the distributional effectiveness of income transfer schemes and on policy change over the 1990s and early 2000s.

A comprehensive investigation of patterns of social protection in southern Europe is outside the scope of our analysis. It is sufficient to stress here that southern European countries share many characteristics in terms of historical development, socio-economic trends, value systems, institutional structures and welfare arrangements: they more or less lag behind in welfare state development, and their most salient socio-economic and political structural characteristics largely contrast them with north-western European countries.

Common traits – which, however, are more pronounced in the southern and south-eastern zone of southern Europe – are the agricultural basis of a large part of the labour force, linked to the predominance of smallholdings (particularly so in Greece and to a lesser extent in Portugal, southern Italy and southern Spain); the extensive reproduction of petty commodity production and self-employment both in rural and urban areas; the existence of a large hidden economy; a weak civil society and the central role of political mechanisms and criteria in the distribution of income and wealth. The latter characteristic is strongly linked with statist/clientelistic forms of political integration and cultural values upholding familism and nepotism (the other side of this phenomenon being the slow development of rational-bureaucratic structures) (see Petmesidou and Tsoulouvis 1994; Petmesidou 1996a).

In the existing literature southern European countries are variously considered to constitute: (a) a residual welfare state reflecting a liberal ideology and the central role of the family (and the Catholic Church, in the Latin Rim countries) in welfare delivery (Leibfried 1992); (b) a less-developed version of the continental-corporatist welfare model (Katrougalos 1996); (c) a distinct social protection system combining a fragmented social insurance model with universalism in healthcare and the delegation of welfare provision to the family (Ferrera 1996). Our view is that, although these countries constitute 'a family of nations', there are also significant differences among them, not only with respect to long-term socio-economic development (an issue that we cannot examine here), but also in respect of reform capacities and policy innovation in the medium term.

In the first part of this chapter we very briefly discuss the major imbalances of social protection in the four southern European countries and the policy responses in the last decade. We then proceed to a detailed comparative examination of changing patterns of inequality and poverty phenomena on the basis of the ECHP data. Central to our analysis is the question of how effective social transfers are in reducing inequality and combating poverty in each country, and in particular whether effectiveness improved or not, across countries, during the 1990s. Finally, in the third section, we expand on poverty profiles by focusing on a number of characteristics of the income recipient units (for example, household size and type, age, gender, education and employment status of the household head). Significant developments in the field of social assistance (a rather neglected policy field in southern Europe[2]) and attempts to rearrange the balance between social insurance and social assistance, in each country, provide a comparative basis for assessing commonalities and differences in inequality and poverty trends.

Imbalances of social protection in southern Europe and major policy innovations for combating poverty

Some comparative remarks In the 1990s, social expenditure per inhabitant (in purchasing power standards – PPS) more than doubled in Portugal. It also increased rapidly in Greece, particularly in the second half of the decade (by roughly 40 per cent between 1995 and 2000). In Italy and Spain, it grew by approximately 40 per cent over the decade. Nevertheless, Portugal, Spain and Greece (together with Ireland) were still ranked last among the European Union (EU-15) member states in terms of per capita social expenditure (in PPS), in 2001 (Eurostat 2001; Abramovici 2004).

As argued by various authors (e.g. Ferrera and Rhodes 2000; Petmesidou and Mossialos 2005), reform pressures in southern European countries not only have to face new risks and problem constellations shared by all European societies, which emerge out of demographic ageing, changing gender roles, employment patterns and family forms, as well as the economic constraints destabilizing social welfare. Equally, they need to address the issue of the rationalization of the social protection system by tackling well-entrenched legacies of fragmentation, deep polarization and particularism. At the same time, coverage needs to be expanded to a number of deprived social groups for which hardly any social protection exists (those employed in the underground economy, young unqualified people without work experience, the long-term unemployed – particularly unemployed women, the elderly with no rights to social insurance, and other groups with a high poverty risk). These deficiencies account for the very low redistributive effect of social transfers in southern European societies, as we will show below. Redistribution is lowest in Greece, despite the noticeable increase in social expenditure in the second half of the 1990s and the beginning of the 2000s.

Similarities and differences between the four countries can be traced along historical trajectories of socio-economic development in the area. In this respect, we can clearly differentiate between: (a) a northern and north-western zone (for example, northern Portugal, the Basque region and Catalonia in Spain, and Lombardy and Piedmont in Italy), in which the pacing and degree of industrialization were higher; and (b) a southern and south-eastern zone (extending across southern Spain, most of Portugal, southern Italy and Greece as a whole), in which agrarian structures were extensively reproduced until the mid-1970s. At that time a rapid shift to post-Fordist social and economic structures set in, well before industrialization had deepened and Fordist production structures, with their accompanying patterns of collective solidarity and universalistic social citizenship, had been fully developed in southern Europe. The more rapid the change from agrarian structures to a services-oriented economy across the regions of southern Europe, the weaker the collective forms of solidarity and universalism in welfare provision.

In the south-east (that is, in Greece and the other Balkan countries, including Turkey) a tradition of contractual relations, collective solidarity and an active civil society have always been weakest. Furthermore, statism and particularistic-clientelistic forms of social organization have traditionally been more pronounced. These historical features significantly influenced social stratification, inequalities and poverty phenomena, and supported an institutional configuration of 'implicit' processes of revenue creation and distribution; that is, based on political means and criteria allowing 'soft budgeting' practices to be followed by households, individuals and enterprises.[3] For a long time, these 'implicit revenue-creating' processes constituted a substitute – though a highly deficient one – for the welfare state. Under these conditions, poverty phenomena remained 'invisible', and hardly reached public debate or the social policy agenda.

A number of studies stressed the deadlocks of social protection, shared by southern European countries, because of long-lasting imbalances and a deep polarization of income-maintenance programmes. To one degree or another, among the four countries, income maintenance depends upon a full and uninterrupted occupational career through which contributive entitlements are established. Yet a large number of social groups (for example, workers in the underground economy) that cannot secure such a (long and continuous) career in the primary labour market are left unprotected given the dearth of social assistance. In addition, social assistance measures (and minimum income schemes), to the extent that they have developed in each country/region, did so in a fragmented (categorical) and incremental manner, with benefits having no correlation with each other, although they are targeted to vulnerable groups with similar characteristics and needs. Furthermore, wide inequalities in the level of social protection guaranteed by the various social security funds deepen polarization between hyper-protected and weakly protected beneficiaries.[4] Social protection is characterized by a strong 'pension bias' (particularly in Italy, followed by Greece, Spain and Portugal – see Eurostat 2004; Papatheodorou and Petmesidou 2004). The counterpart of this condition is a comparatively modest involvement by the state in other social transfers (for supporting the family, the unemployed and other disadvantaged groups) and in health and social care services.

Since the early 1980s an intensification of antagonisms and social fragmentation has seriously undermined the traditional model of 'implicit social policies'. The progressively eroding capacity of the family to be a main welfare provider and to respond to pressing social needs (impoverishment, growing unemployment and risks of social exclusion) has also contributed to this process. In parallel, macroeconomic and fiscal pressures accompanying European integration in the last decade have been equally important in precipitating reform.[5] Over the 1990s, significant policy changes and innovations – to a varying extent, however – can be observed mainly in Italy, Spain and Portugal. It is notable that, in these three countries, reform took place in the context of wide-ranging social agreements. A process of social concertation – from the early to the late 1990s in Italy, and in the late 1990s in Portugal and Spain – strengthened public debate, negotiations and collective agreements on crucial socio-economic reforms, including social security (Regini 1998; see also Petmesidou 2001). These reforms reorganized the balance between contributive and non-contributive benefits, extended social entitlements and introduced safety nets. They also promoted changes in tax regimes, wages and pensions.

Concern about minimum income programmes was instigated by the European Council Recommendation 92/441/EEC (24/6/1992) on how to secure common criteria for efficient resources and social assistance among EU member countries. In response a guaranteed minimum income scheme was introduced in Portugal in 1996; regional minimum income programmes in Spain were expanded; while in Italy a minimum income programme was implemented on a pilot basis between 1998 and 2002. In Greece no substantial developments in social security have occurred during the last decade, while issues of social assistance and minimum income policy have hardly featured in a systematic way in the policy discourse up to now.

Social transfer programmes in the 1990s and early 2000s

In the last decade, changes in social assistance in Italy were closely linked to significant reforms in pensions and other income transfer programmes, as well as in health and social care.[6] The devolution of legislation and administrative powers to the regions and municipalities is also of central importance. Although social assistance has been the responsibility of the regions and municipalities since 1977, a comprehensive regulatory framework for decentralization has only recently been developed in the country. With Law 328/2000 most competencies in the area of social protection were transferred to the regions and local authorities; while Constitutional Law 3/2001 further differentiated areas of institutional responsibility between the central state and regional/local bodies.

As in the other southern European countries, the issue of poverty was marginal in the Italian national debate until the last decade. It gained salience in the context of the 1990s social reforms, with an emphasis on the need to tackle 'distributive and allocative distortions of the Italian welfare state' (Ferrera and Gualmini 2000: 193; Sacchi et al. 2002). The three important pension reforms that took place in 1992, 1995 and 1997[7] attempted to deal with the historical hypertrophy of the social insurance system, contain its generosity, limit the trends towards early retirement and make resources available for social assistance schemes. The reforms have been successful in fiscal terms, but have only marginally cured the imbalances of the system.

Among poverty alleviation measures under social insurance, pension supplements constitute an important element aimed at supporting those pensioners who have a contributions record of at least fifteen years but do not qualify for the minimum pension. By far the most important policy measure for alleviating poverty for a long time, however, has been the provision of invalidity pensions (the insurance-based pensions until 1984, and later the non-contributory invalidity pensions).[8] In addition, a means-tested social pension is provided to people who are sixty-five years of age and over who cannot benefit from any other pension scheme.

For two decades social assistance in Italy developed in a highly uncoordinated manner. Marked differences in the level of benefits, the criteria of eligibility and delivery standards created big gaps in the system. Proposals by a number of expert committees in the late 1990s stressed the need for more comprehensive, universal measures. In 1997, the Commission for Inquiry on Poverty and Social Exclusion and the Technical Commission on Public Expenditure, as well as the Onofri Commission, agreed on the need for a national minimum, guaranteed-income scheme. A year later, along the lines suggested by a report of the latter commission, a standardization of assessment of potential beneficiaries' income and wealth (*Indicatore della situazione economica*) was piloted. In parallel, experimental implementation of a non-categorical means-tested benefit in the form of a minimum insertion income scheme (*Reddito Minimo di Inserimento* – RMI) took place between 1998 and 2000. Other additional poverty alleviation measures, introduced at the end of 1998, were a cash benefit to families with more than three children and a maternity benefit to mothers having no access to the insurance-based maternity allowance.

As regards the RMI, the plan was to widely expand its implementation after the evaluation of the testing phase. The centre-right government that took office in 2001, however, expressed a desire to reconsider this policy. It recently announced a new measure (an 'income of last resort') as a substitute for the RMI, but the new tool has not been specified in detail. Both the 2003 White Paper on Welfare and the 2003–05 National Action Plan for Inclusion adopt a lofty rhetoric on the role of the family as the pillar of the Italian social model.[9] Supporting measures consist of fiscal relief (and direct aid) primarily for large families, increasing labour market flexibility and workfare orientation in policies.[10] The decentralized model of planning and administration is held to be another major strategic option.

As briefly mentioned above, social agreements played an important role in social reform in Spain in the second half of the 1990s. Of particular importance were the agreements reached between the social partners and approved by the Congress of Deputies (the Spanish parliamentary lower house) in 1995 for an overhaul of social protection (the so-called Toledo Pact) (Guillen 1999).[11] Ensuing reforms aspired to rationalize and consolidate social security; make a clearer distinction between contributory social insurance benefits and universal non-contributive benefits; and to expand social assistance programmes. In addition, pension reforms centred on disadvantaged benefit recipients.

More specifically, reforms aimed at achieving the universalization of old-age and disability benefits and the expansion of minimum income schemes, but had a negligible impact on family benefits. The reforms consisted of:

1. A range of supplementary social security benefits: the Social Security Minimum Pension Supplement targeted at disadvantaged recipients; the means-tested benefit for the unemployed whose contributory benefits are terminated – targeted at those unemployed with dependent children or those over fiftty-two years of age; the unemployment benefit for agrarian workers in the poorer regions of the country; and recently, an insertion benefit targeted at the long-term unemployed over forty-five years of age.
2. Non-contributory pensions and benefits for the elderly and disabled, as well as a (rather meagre) family social security benefit for low-income families with dependent (and particularly disabled) children.
3. Regional Minimum Income Schemes (*Rentas Minimas de Inserción*) were progressively implemented by the seventeen Spanish regional governments (*Comunidades Autónomas*). The schemes significantly differ in terms of eligibility criteria, level/duration of benefits, type of protection offered insertion, obligations and mode of administration. Age limits, however, are similar across regions, as minimum income programmes exclude persons under twenty-five and over sixty-five years of age. Overall, support to poor households through minimum income schemes is considered subsidiary to other (national-level) contributive and non-contributive benefits, and ranges between 48 and 64 per cent of the legal minimum wage in the various regions (see Arriba and Moreno 2002).[12]

More than in any other southern European country, in Spain devolution has played a crucial role in policy innovation for combating poverty. Yet significant problems of fragmentation, differential financial resources commanded by the regions and an inability to coordinate (regional/local and national) social assistance schemes into an integrated network of provision (and administration) need to be tackled.

In Portugal significant policy developments took place in the second half of the 1990s. The 'Short-Term Social Pact', signed in January 1996 under the initiative of the socialist government in power at the time, provided the impetus. The agreement elaborated guidelines for nominal wage growth, taxation and social security, introduced regulations for restricting child labour, adopted a policy of local strategic planning and facilitated the introduction of a guaranteed minimum income scheme, initially as a pilot programme. Soon, implementation expanded to the whole country. In parallel, a whole range of policy innovations were introduced with the aim of tackling poverty in an integrated way and linking poverty alleviation measures with local strategic planning processes and social networking projects (Capucha et al. 2002).

Since 1996, of crucial importance in this 'new generation' of policies have been the following programmes: the 'National Programme against Poverty' and the 'Social Network' programme institutionalizing local information systems and social diagnostics along with social development planning at the local level; the 'Social Employment Market' for those unable to obtain access to labour markets; as well as an 'Urban Rehabilitation Programme' to improve housing conditions (especially in the 'shanties' estimated to comprise roughly 80,000 people in the mid-1990s). As the following empirical analysis shows, these policy innovations had a slight positive effect, particularly in reducing the severity of poverty.[13] Nevertheless, the poverty risk remains comparatively high in Portugal. Furthermore, given the relatively high activity (and low unemployment) rates in Portugal, 'the working poor' constitute a highly worrying phenomenon in the country.

In comparison to the other southern European countries, no major social policy reform in the field of social assistance took place in Greece during the last decade. Overall cash transfers exhibit a strong 'pension bias' (a characteristic Greece shares with Italy). The few non-contributory (some of them means-tested), categorical benefits are characterized by great gaps in coverage and high fragmentation. Equally fragmented and polarized are social insurance benefits. Greece exhibited the highest poverty rate both in 1994 and 2001, and the income transfer system is the least effective as testified by our empirical analysis (see below). Furthermore, despite the pressures exercised by both exogenous (for example, European integration) and endogenous factors (for example, strongly prevalent poverty phenomena, rapidly increasing unemployment and a growing wave of mostly illegal immigrants experiencing high risks of poverty and social exclusion), social consensus on rationalizing and expanding social security has been weak. The highly politicized and conflictual character of industrial relations, and the antagonisms and deadlocks generated by statist-paternalistic structures, greatly limit the possibility of widely binding agreements on policy goals and strategic reform.

In terms of social assistance, it is worth mentioning the introduction of a new supplementary pension benefit (EKAS) in 1996, targeted at low-income pensioners in order to tackle increasing disadvantage and deterioration of income levels for a large number of this group. Also, as in the case of Italy, disability benefits (and invalidity pensions), whose number almost doubled between 1994 and 2000, represent an important substitute for anti-poverty measures. Some other measures introduced in 2001, in the context of the National Action Plan for Inclusion (Ministry of Labour and Social Security 2001), appear to be rather haphazard (and hence largely ineffective).[14] This is particularly the case with the refundable tax credit for families with children aged six to sixteen (yet no reasons are given as to why families with younger children are excluded), as well as the refundable tax credits for low-income households in mountainous areas (again, why low-income families in other deprived areas have been excluded remains questionable).

Inequality and poverty: trends in the second half of the 1990s and early 2000s

In our analysis the household is considered to be the demographic unit and total annual disposable household income is used as the main economic variable.[15] The latter is the total annual household income after taxes and social security contributions, and refers to the net monetary income received by the household and its members. Households with zero or negative income were excluded from the present analysis. In order to make households of different size and composition comparable, the relevant (original) OECD equivalence scale is used. According to this scale, the first adult in each household is given a weight of 1, each additional adult a weight of 0.7 and each child a weight of 0.5. A household member is considered to be an adult when he or she is more than fourteen years old. Poverty lines are defined as 60 per cent of the country's median equivalent household income. Estimates on poverty rates using alternative income poverty thresholds are, however, also presented in Appendix B.

Inequality and the redistributive effect of social transfers Table 2.1 presents estimates on inequality of total disposable equivalent household income in 1994 and 2001. A number of alternative indices and summary measures were employed in order to capture different aspects of inequality and test the robustness of findings: the Gini (G) index, the Atkinson indices for $\varepsilon = 0.5$ ($A_{(\varepsilon=0.5)}$) and $\varepsilon = 2$ ($A_{(\varepsilon=2)}$), the Theil's Entropy Index (T), the Mean Logarithmic Deviation (L), and the Half the Squared Coefficient of Variation (C^2).[16] These are among the most frequently used indices in the field and allow for a comparison of our findings with those of other studies. In addition, these indices satisfy the most desirable properties: anonymity, mean independence, population independence and the principle of transfers.

Any attempt to rank countries according to the degree of inequality is,

TABLE 2.1 Aggregate inequality indices for total disposable equivalent household income (1994–2001)

Inequality indices	Italy		Greece		Spain		Portugal	
	1994	2001	1994	2001	1994	2001	1994	2001
Gini	0.340	0.301	0.383	0.345	0.351	0.336	0.401	0.380
Atkinson $A_{\varepsilon=0.5}$	0.102	0.079	0.126	0.100	0.104	0.097	0.134	0.118
Atkinson $A_{\varepsilon=2}$	0.582	0.376	0.546	0.459	0.975	0.977	0.689	0.521
Mean logarithmic deviation L (G. Entropy =0)	0.240	0.172	0.283	0.218	0.238	0.226	0.307	0.248
Theil (G. Entropy =1)	0.205	0.163	0.266	0.210	0.215	0.205	0.282	0.256
Half the squared coefficient of variation C^2 (G. Entropy =2)	0.253	0.213	0.394	0.287	0.277	0.301	0.370	0.353

TABLE 2.2 Proportional (%) decline in overall inequality of households' disposable equivalent income (measured by various aggregate indices) between 1994 and 2001

	Italy	Greece	Spain	Portugal
Gini	-11.4	-9.9	-4.1	-5.4
Atkinson $A_{\varepsilon=0.5}$	-22.5	-20.8	-6.2	-12.3
Atkinson $A_{\varepsilon=2}$	-35.3	-15.9	0.2	-24.4
Mean logarithmic deviation L (G. Entropy =0)	-28.3	-23.2	-5.2	-19.0
Theil (G. Entropy =1)	-20.3	-21.0	-4.8	-9.2
Half the squared coefficient of variation C^2 (G. Entropy =2)	-15.7	-27.1	8.7	-4.7

of course, affected significantly by the inequality index used. For 1994, estimates of the Gini index rank Portugal first as the country with the highest inequality, followed by Greece and Spain. Italy was the country with the lowest inequality. This ordering changes when other inequality indices are used. Estimates based on C^2 show that Greece had the highest inequality, followed by Portugal. When our comparison is based on $A_{(\varepsilon=2)}$, we get quite a different picture. Spain appears as the country with the highest inequality, followed by Portugal, Italy is in third place and Greece has the lowest inequality.[17] For 2001, the corresponding estimates showed an almost similar picture as regards inequality ordering (yet Greece's position deteriorated with regard to the $A_{(\varepsilon=2)}$ indicators, and Portugal's position worsened with respect to the C^2 indicator). The most important difference in the 2001 data, however, is that all indices agreed that inequality in Italy was the lowest.

All indices show that a decline in inequality took place between 1994 and 2001 in all four countries (see Table 2.2).[18] Indices more responsive to transfers at the lower part of the distribution, such as $A_{(\varepsilon=2)}$, show that this decline was more significant in Italy and Portugal, while indices more responsive to transfers in the middle part of the distribution, such as L, T and G, show that this decline was higher in Italy and Greece. Moreover, the C^2, the index most responsive to transfers at the top of the distribution, shows that a higher proportional reduction of inequality took place in Greece. Therefore, we may assume that during this period the redistribution of income in Italy and Portugal was more significant among low-income households compared with the other two countries. The introduction of new policy measures (for example, in Italy, the social allowance, the benefit to large households, the national fund supporting low-income tenants; and in Portugal particularly the RMI scheme, implemented on a national scale since 1997) may partly account for these results. All indices agreed that in Spain the reduction of inequality between 1994 and 2001 was the lowest among the four countries.

Table 2.3 shows the proportional decline in overall inequality of household equivalent income due to pensions and other social transfers, in 1994 and in 2001. The estimates are based on the Gini index. Compared to 1994, total social transfers appeared to have a higher distributional impact in Italy, Greece and Portugal in 2001; whereas in Spain their distributional impact slightly declined. Over the period examined, total social transfers were least effective in reducing inequality, particularly in Portugal. Greece was ranked second from the bottom in this respect in the mid-1990s, yet its position improved in 2001, and this is due particularly to a substantial increase in the redistributional effect of pensions; while the effect of other social

TABLE 2.3 Proportional (%) decline in overall inequality of households' equivalent income, measured by Gini index, due to pensions and social transfers, 1994 and 2001

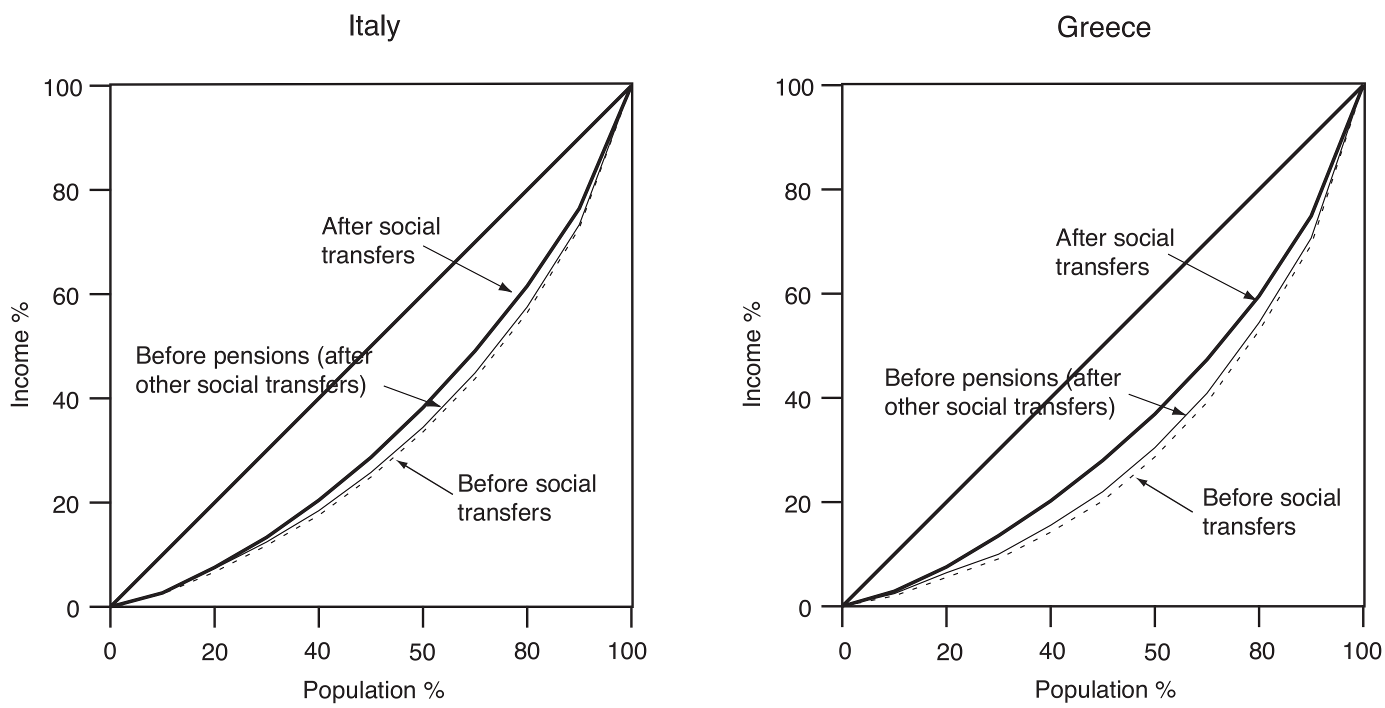
	Italy	Greece	Spain	Portugal
1994				
Social transfers except pensions	-5.9	-2.3	-10.7	-6.4
Pensions	-35.2	-26.6	-28.6	-22.1
Total social transfers	-38.9	-28.2	-37.8	-27.5
2001				
Social transfers except pensions	-5.2	-2.9	-6.8	-5.6
Pensions	-40.5	-34.4	-30.2	-23.4
Total social transfers	-43.6	-36.6	-35.6	-28.4

transfers, except pensions, remained negligible during the 1990s through to 2001. Yet the low distributional impact of the component 'other social transfers' (except pensions) is a characteristic shared by all four countries. In 1994, the 'other social transfers' (except pensions) were most effective in Spain, reducing overall inequality by 10.7 per cent, and least effective in Greece (producing a decline of only 2.3 per cent). In Italy and Portugal the proportional decline in overall inequality by virtue of 'other social transfers' stood at 5.9 and 6.4 per cent respectively. In 2001, the impact of 'other social transfers' diminished considerably in Spain and slightly in Italy and Portugal, while in Greece it marginally increased. On the other hand, the distributional impact of pensions increased notably in Greece and Italy. The increase was a little lower in Spain, and much lower in Portugal.

The increased distributional effect of pensions, particularly in Italy and Spain, in the late 1990s, can largely be accounted for by the major reforms in social security in these two countries, which we briefly discussed above. Policy measures such as the universalization of old-age (and disability) pensions in Spain, the expansion of coverage in non-contributory pensions and the introduction of social assistance supplements for low-income pension recipients in Italy clearly indicate an emphasis on ensuring adequate minimum incomes for disadvantaged elderly groups. The introduction of EKAS in Greece (in 1996), in parallel with some attempts to amalgamate social insurance funds and increase the management efficiency of IKA (the largest social insurance fund for private employees and workers in the urban sector), is also relevant for the increased effectiveness of pensions in reducing inequality over the second half of the 1990s. The most striking characteristic of our findings, however, is the marginal distributional role of other income transfers, indicating the paucity of family, housing and other social benefits (mostly of a social assistance type). Furthermore, our findings allow us to assume that minimum income policy in Spain had a negligible effect in reducing inequality,[19] despite the fact that such a policy was introduced and expanded throughout the whole country much earlier than in the rest of southern Europe. Moreover, in Portugal the introduction of the RMI scheme in the late 1990s does not seem to have boosted the effectiveness of 'other social transfers' (in comparative terms, however, Portugal and Italy exhibited the highest proportional decline of overall inequality by means of 'other social transfers' in 2001 among the four countries examined).

Lorenz curves illustrate more clearly the patterns of income inequality across the entire range of the distribution than do the various summary measures. Figure 2.1 presents the Lorenz curves for equivalent household income before and after social transfers (and pensions) in each country during 2001. We can easily see that other social transfers except pensions have a limited distributional impact in all countries. In Italy and Greece the impact of these transfers is primarily on middle-income groups. It is again strongly evident (see also Table 2.3) that the aggregate sum of cash benefits other than pensions has the highest impact in Spain and in Portugal (and the least impact in Greece). As illustrated by the Lorenz curves in Portugal and Spain, however, these transfers focus largely on the lower-income groups, a finding that is indicative of a greater targeting of social assistance in these countries.

Figure 2.2 compares the representative Lorenz curves for the four countries with respect to equivalent household income before social transfers, after other transfers except pensions, and after the total of social transfers. With regard to the distribution of equivalent household income before social transfers, the curve for Italy is the one closer to the diagonal and at a great distance from the curves for the other countries. Thus, although it is not quite clear what happens at the lower and upper 5 per cent of the distribution, it is safe to assume that the representative curve for Italy Lorenz-dominates the other curves. This denotes that original income is more equally distributed in Italy.[20] The representative curves for Spain, Portugal and Greece intersect at various points of the income distribution. For these countries large differences are found mainly in the way that income before transfers is distributed at the 70 per cent mark of the lower-income population. In Portugal the population between 15 and 65 per cent of the distribution has significantly lower shares of total income before transfers, compared with Spain and Greece; while in Greece 30 per cent of the lower-income population has lower shares of total income before transfers, in comparison with Spain.



Italy
Income %
100
80
60
40
20
0
After social transfers
Before pensions (after other social transfers)
Before social transfers
0
20
40
50
80
100
Population %
Greece
Income %
100
80
60
40
20
0
After social transfers
Before pensions (after other social transfers)
Before social transfers
0
20
40
50
80
100
Population %

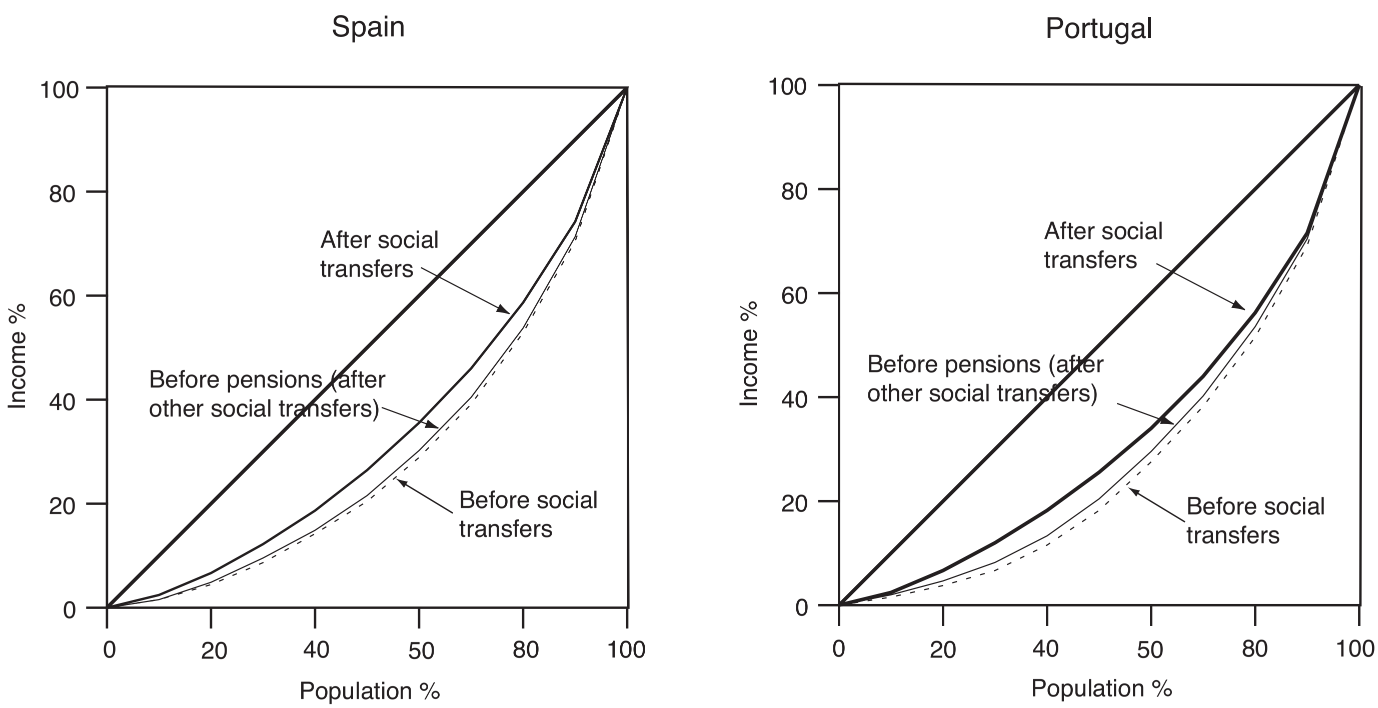
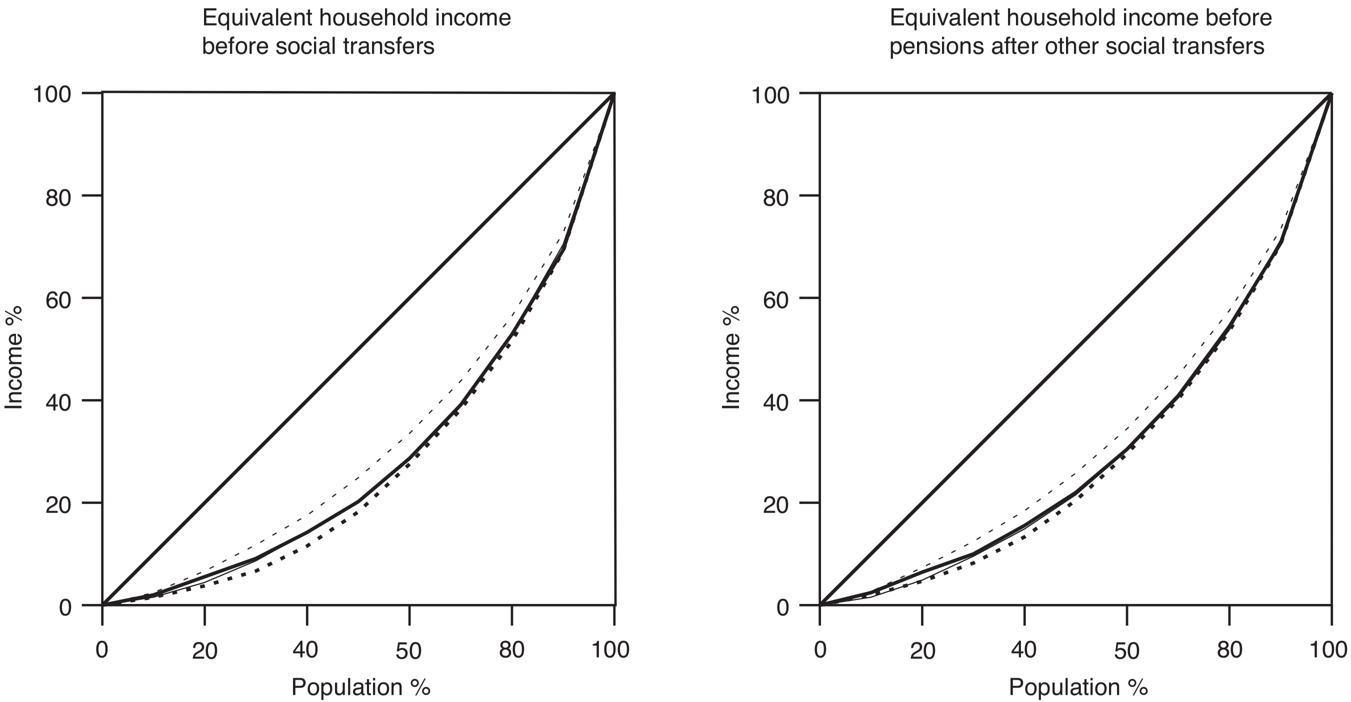


Figure 2.1 Lorenz curves for households' equivalent income before and after social transfers and (pensions), Italy, Greece, Spain and Portugal, 2001



Equivalent household income
before social transfers
Income %
Population %
Equivalent household income before
pensions after other social transfers
Income %
Population %

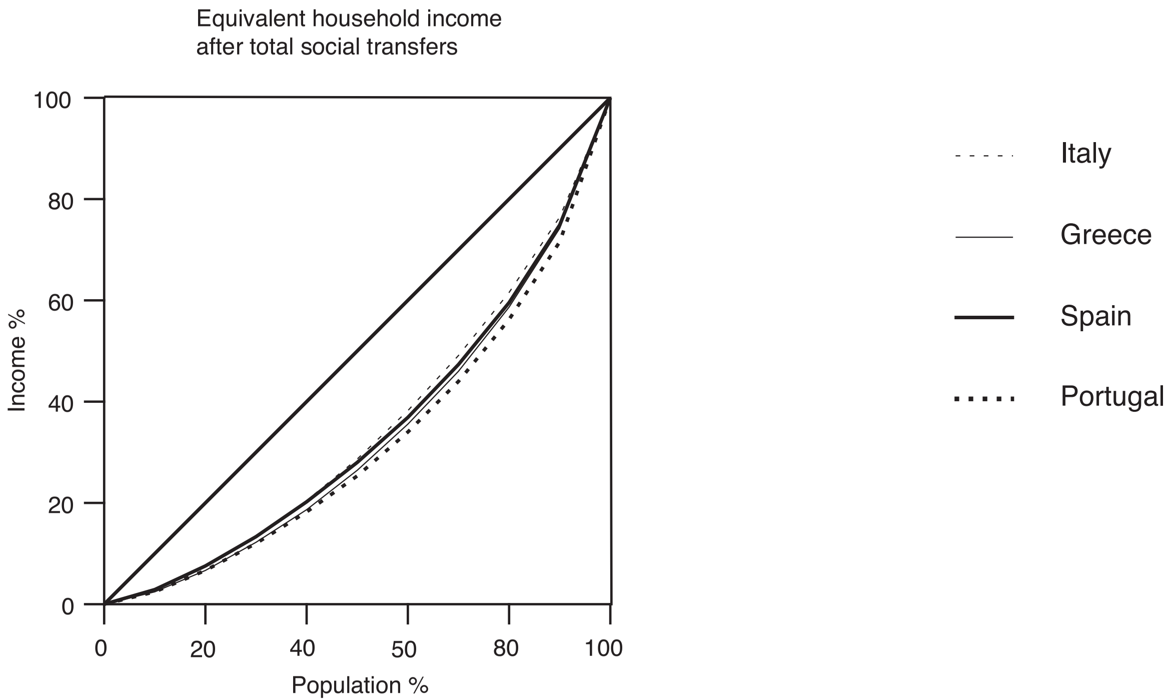


Figure 2.2 Representative Lorenz curves for Italy, Greece, Spain and Portugal in respect of equivalent household income before social transfers, after transfers except pensions, and after all social transfers, 2001

If we take into account the sum of other social transfers except pensions, again Italy's distribution Lorenz-dominates the representative distributions of the other countries. This denotes that Italy exhibits the lowest inequality of equivalent household income before pensions but after other transfers. Among the rest of the countries, Spain exhibits higher shares for the 50 per cent of lower-income population. In Portugal about 20 per cent of the lower-income population has higher shares than in Greece, whereas the latter country exhibits higher shares for the population between 20 and 60 per cent of the income distribution. Moreover, Portugal is the country that exhibits the lowest shares of total income after other transfers (except pensions) for the population between 20 and 60 per cent of the distribution.

The representative curves for disposable income after total social transfers show less significant differences between the four countries than above. Still, Italy's distribution of income appears to Lorenz-dominate the representative distributions of the rest of the countries and indicates that it is the country with the lowest inequality (see also Table 2.1). Among the rest of the countries, the Lorenz curve for Portugal indicates lower income shares for the population between 40 and 90 per cent of the distribution. It is not clear, however, what happens to the 10 per cent of the lower- and higher-income populations where the curves for Spain, Portugal and Greece intersect.[21] Also, the corresponding curves for Greece and Portugal clearly intersect for the population up to 40 per cent of the distribution. Nevertheless, the richest population in Portugal has higher shares of total income after transfers, compared with Greece.

Extent and intensity of poverty The differences in inequality patterns were further explored by employing a poverty line defined at 60 per cent of a country's median equivalent household income.[22] Table 2.4 presents the poverty rates for household income before and after social transfers, in 1994 and 2001. In 1994 Greece had the highest poverty rates (24.9 per cent of households for income after total social transfers) followed by Portugal, Italy and Spain, in that order. In 2001 the incidence of poverty marginally decreased in all countries but the ordering remained unchanged.[23] It is worth mentioning that the ranking of countries according to poverty rates does not reflect the way in which the original household income before social transfers is distributed. Rather it reveals the different impact that total social transfers, as well as their components, have on each individual country.[24] Thus, in 1994, if no transfers had taken place, Italy would have been the country with the highest poverty rate, followed by Spain, Greece and Portugal. Yet, after social transfers, Spain has persistently had the lowest poverty rate. On the other hand, Greece is the country with the

TABLE 2.4 Poverty rates for household income before and after social transfers, 1994 and 2001 (poverty lines defined as 60% of the country's median equivalent household income)

		Before social transfers	After other social transfers – before pensions	After pensions – before other social transfers	After total social transfers
Italy	1994	48.7	45.5	23.6	19.8
	2001	50.2	47.6	21.9	19.1
Greece	1994	45.2	43.7	26.5	24.9
	2001	47.5	46.1	23.6	21.8
Spain	1994	47.6	40.4	26.6	18.6
	2001	43.5	38.5	22.0	17.2
Portugal	1994	43.0	38.4	29.1	23.6
	2001	42.5	39.1	25.9	20.8

highest poverty incidence, after social transfers, over the period examined. In 1994, the level of poverty before social transfers was not comparatively high in this country; yet in 2001 Greece had the second-highest poverty rates in the distribution of original household income (followed by Spain and Portugal).

On the basis of these results, we could assume that in 1994 the social security system in Spain was the most effective in assisting the low-income population and in reducing poverty (Table 2.5). Significant changes in social protection (reflected also in the establishment of the Ministry of Social Affairs[25]), in parallel with a rapid expansion of social spending and a progressive consolidation of the regional system in Spain since 1988,

TABLE 2.5 Proportional (%) decline in overall poverty rates due to pensions and other social transfers, 1994 and 2001 (poverty lines defined as 60% of the country's median equivalent household income)

	1994			2001		
	Social transfers except pensions	Pensions	Total social transfers	Social transfers except pensions	Pensions	Total social transfers
Italy	-6.6	-51.5	-59.3	-5.3	-58.1	-63.9
Greece	-3.3	-41.4	-44.9	-3.1	-52.9	-56.9
Spain	-15.1	-44.1	-60.9	-10.5	-45.2	-55.3
Portugal	-10.7	-32.3	-45.1	-7.9	-38.7	-50.6

might account for these results. By contrast, the Greek social security system exhibited the worst performance in reducing poverty in the mid-1990s. In 2001, total social transfers were found to have, more or less, increased their distributional impact in all southern European countries, except Spain. Among them, Italy was the country with the system of social transfers most effective in reducing poverty in 2001; in this respect, the least effective were total social transfers in Portugal (while Spain and Greece are ranked in intermediate positions).

As to the differential impact of each of the two transfer components, we observe a substantial increase in the distributional effect of pensions in all four countries over the 1990s. The effect of the other social transfers (except pensions) in reducing poverty declined dramatically in Spain (but still remains higher than in the other countries), significantly in Portugal and slightly in Italy and Greece. In the latter country the distributional impact of 'other social transfers' has persistently been the lowest.

Since poverty lines were defined in a rather arbitrary way, in assessing the effect of social transfers it is also important to measure their impact on the income of populations found below poverty lines. Table 2.6 presents the corresponding figures for the poverty gap in these countries.[26] In 1994 Greece had the highest poverty gap for household income after social transfers, despite the fact that it had a comparatively low poverty gap for income before transfers. Social transfers in Italy also performed relatively poorly in reducing the poverty gap. Spain and Portugal were the most effective in diminishing the poverty gap by means of social transfers in the mid-1990s.

In 2001 the poverty gap was reduced significantly in Italy, Greece and Portugal, and this is mostly accounted for by the increased impact of 'pensions'. Portugal was the country that showed a remarkable performance in assisting the incomes of those in poverty, so as to considerably diminish the poverty gap. Apart from 'pensions', the impact of 'other social transfers' in reducing the poverty gap was also substantial in Portugal. And, in this respect, the objective of reducing the severity of poverty through the RMI programme may have been effective.[27] Also in Spain, the impact of the 'other social transfers' on the poverty gap remained substantial over the second half of the 1990s through to the early 2000s, and in addition the impact of pensions slightly increased. As stressed above, top-ups to low pensions and non-contributive social assistance measures for the disadvantaged elderly (and the disabled) played a significant role in the Spanish safety net.

The impact of pensions in reducing the poverty gap increased considerably in Italy and Greece. In Italy, measures such as the social allowance (introduced in 1995) as an income-tested benefit for those over sixty-five who are not eligible for a contributory pension, together with

TABLE 2.6 Poverty gap for household equivalent income before and after pensions and other social transfers, 1994 and 2001 (poverty lines defined as 60% of the country's median equivalent household income)

	1994			2001		
	Before social transfers	After other social transfers – before pensions	After total social transfers	Before social transfers	After other transfers – before pensions	After total social transfers
Italy	0.63	0.57	0.37	0.60	0.53	0.30
Greece	0.64	0.61	0.40	0.68	0.65	0.32
Spain	0.68	0.52	0.32	0.65	0.54	0.32
Portugal	0.76	0.67	0.35	0.67	0.57	0.28

other measures targeted at old age and invalidity, account for this finding. Strikingly, in Italy more than 90 per cent of total expenditure on anti-poverty measures goes to the elderly and the invalid (Benassi 2001). Moreover, in Greece the enhanced effect of pensions in the reduction of the poverty gap in 2001 could largely be attributed to the provision (since 1996) of a means-tested benefit to low-income pensioners.

Poverty profiles

Poverty and household size and type Table 2.7 presents the poverty rates for household income before and after social transfers by household size, in each country. A common finding is that large households with five members or more have an average equivalent income significantly lower than the country's mean. Apart from this, the degree of inequality between sub-groups in each country varies considerably. One-member households are those with the highest equivalent average income in Spain, two-member households in Italy and three-member households in Greece and Portugal.

More significant differences between these countries, according to household size, are found in poverty rates and in the impact of social transfers. With regard to poverty incidence, Italy and Spain differ from Greece and Portugal. Particularly in Italy (and to a lesser extent in Spain), we observe a positive relation between poverty rates and household size. The only exceptions are two-member households in Spain, which exhibit a slightly higher poverty rate than three-member households (and households with six or more members, which exhibit a slightly lower poverty rate than five-member households), and one-member households in Italy, which

TABLE 2.7 Poverty rates by household income before and after social transfers, and average income by household size, 2001

	Household size (number of members)	Poverty rates			Mean income (% of average total eq. income)	Contribution to poverty (%)
		Before social transfers	After other social transfers – before pensions	After total social transfers		
Italy	1	69.9	68.2	17.1	109.2	19.0
	2	61.0	58.4	11.7	110.4	13.8
	3	35.9	32.5	13.5	107.6	15.4
	4	36.1	34.0	24.9	87.8	29.3
	5	45.6	41.4	34.0	74.6	15.4
	6	53.4	51.6	43.5	66.8	7.1
	Total	50.2	47.6	19.1	100.0	100.0
Greece	1	73.6	72.9	25.8	106.8	22.7
	2	67.1	65.8	25.7	96.2	32.2
	3	28.3	26.6	14.3	110.2	13.6
	4	22.9	21.7	16.8	98.6	19.0
	5	35.7	32.7	27.1	80.4	7.0
	6+	59.4	57.1	44.8	65.3	5.6
	Total	47.5	46.1	21.8	100.0	100.0
Spain	1	61.9	58.8	12.2	108.5	12.2
	2	55.7	50.8	17.4	107.7	25.5
	3	32.0	27.0	14.7	99.8	12.4
	4	28.8	23.7	19.4	93.2	24.2
	5	38.4	33.3	21.8	85.1	16.0
	6+	35.1	27.0	18.6	99.6	9.8
	Total	43.5	38.5	17.2	100.0	100.0
Portugal	1	78.8	77.5	31.2	94.2	18.2
	2	56.1	52.5	21.4	106.9	23.6
	3	25.6	21.8	10.6	111.1	12.2
	4	24.6	20.2	16.1	107.8	18.7
	5	47.5	43.8	35.7	74.7	16.4
	6+	47.0	45.2	30.1	60.4	10.9
	Total	42.5	39.1	20.8	100.0	100.0

Note: In all cases 'Total' refers to the total number of cases in the country and not to the total number of cases appearing in each grouping

have a higher poverty rate than two-member households. By contrast, in Greece and Portugal the poverty rates according to household size follow an exact U-shape pattern. Poverty rates are above the country's average poverty figure for households with one and two members and for those with five or more members (though in Portugal households with more than six members exhibit a relatively lower poverty rate than five-member households), and below the country's average figure for households with three or four members. In Greece and Portugal the one- and two-member households (mostly consisting of elderly people) are those that make the highest contribution to overall poverty. More than 50 and 40 per cent – respectively in Greece and Portugal – of all households below the poverty line consist of such households. By contrast, in Italy it is particularly four-member households (consisting mostly of families with children) which make the highest contribution to total poverty (29.3 per cent); while in Spain it is two- and four-member households which contribute most to total poverty (25.5 and 24.2 per cent respectively).

To a large degree, the differences in poverty rates reflect the way in which income before social transfers is distributed among households of different sizes in each country. The respective social security systems do not appear capable of altering the initial ordering of poverty rates in any significant way, with the exception of one-member and to some extent two-member households. In all four countries, one-member households constitute the group with the highest poverty rates for income before social transfers, but they are also the group in which social transfers have the strongest distributional impact. Evidently, this impact is attributed largely to pensions, since this household group comprises mostly elderly people. There are significant differences, however, in terms of the extent to which social security systems reduce poverty in this group of households in each country. After social transfers, the elderly appeared to have the lowest poverty rate in Spain and the second-lowest in Italy. By contrast, in Portugal this group exhibits the highest poverty rate and in Greece the second-highest rate. Furthermore, the strong positive correlation between family size and poverty rates in Spain and Italy can be mostly accounted for by the feebleness of family, housing and other benefits in these two countries.

As Table 2.8 shows, the differences in average incomes and poverty rates between and within countries according to household types are more profound. A finding common to all countries is that in typical nuclear families the number of dependent children is linked positively with poverty rates. Thus, households with 'two adults both under sixty-five without a dependent child' have considerably lower poverty rates in all countries. By contrast, households with 'two adults and three or more dependent children' are among those with relatively higher poverty rates. It should be stressed that, although there are differences as to the extent of redistribution produced by social transfers to households of two adults with dependent children, overall such impact is limited. This is a characteristic shared by all four southern European countries and is attributed to the paucity of formal support to families.

A notable difference between these countries is related to the poverty

TABLE 2.8 Poverty rates by household income before and after social transfers and average income by household type, 2001

Household type	Poverty rates			Mean income (% of average total eq. income)	Contri-bution to poverty (%)
	Before social transfers	After other social transfers – before pensions	After total social transfers		
Italy					
1-person: male –64	21.4	21.2	11.1	155.7	2.6
1-person: male aged 65 or more	93.4	89.5	14.8	117.5	2.1
1-person: female –64	38.1	36.2	15.0	115.0	3.2
1-person: female aged 65 or more	98.0	96.2	21.1	84.0	11.1
2 adults without dependent child with at least one person aged 65 or more	82.7	79.7	12.9	101.3	8.6
2 adults without dependent child, both under 65	34.1	32.4	10.6	125.0	4.9
Other household without dependent children	46.1	42.7	15.7	104.7	16.7
Single parents with 1+ dependent child	25.5	21.1	20.0	83.5	1.3
2 adults with 1 dependent child	20.5	18.4	15.5	102.8	8.3
2 adults with 2 dependent children	32.9	30.3	28.2	82.7	16.8
2 adults with 3 or more dependent children	49.6	44.3	43.7	68.8	8.9
Other household with dependent children	43.2	40.8	30.0	77.7	15.4
Total	50.2	47.6	19.1	100.0	100.0
Greece					
1-person: male –64	16.6	15.2	8.5	198.1	1.2
1-person: male aged 65 or more	89.2	87.6	22.2	105.4	2.7
1-person: female –64	44.5	43.5	22.9	105.2	3.4

1-person: female aged 65 or more	96.3	96.2	33.0	79.3	15.3
2 adults without dependent child with at least one person aged 65 or more	87.3	86.7	31.9	82.8	24.3
2 adults without dependent child, both under 65	35.4	32.8	15.6	118.8	7.1
Other household without dependent children	36.5	34.2	18.1	103.7	14.6
Single parents with 1+ dependent child	46.8	45.4	33.1	81.9	2.4
2 adults with 1 dependent child	13.5	12.6	8.5	115.7	3.5
2 adults with 2 dependent children	18.1	17.4	15.7	99.1	11.1
2 adults with 3 or more dependent children	40.6	34.4	33.4	77.4	3.8
Other household with dependent children	38.6	37.2	27.1	83.9	10.5
Total	47.5	46.1	21.8	100.0	100.0
Spain					
1-person: male –64	22.2	16.6	13.5	155.3	3.1
1-person: male aged 65 or more	98.3	97.5	3.3	104.2	0.3
1-person: female –64	29.8	24.3	18.6	122.2	5.0
1-person: Female aged 65 or more	97.0	96.4	9.3	73.8	3.7
2 adults without dependent child with at least one person aged 65 or more	80.0	76.0	20.2	90.4	16.7
2 adults without dependent child, both under 65	23.4	17.0	12.3	133.7	7.4
Other household without dependent children	31.8	24.3	8.3	106.9	8.5
Single parents with 1+ dependent child	40.9	38.5	38.5	73.8	3.0
2 adults with 1 dependent child	23.0	19.8	17.0	94.3	6.8
2 adults with 2 dependent children	28.2	24.4	24.1	88.6	17.0
2 adults with 3 or more dependent children	40.2	38.5	38.5	78.1	10.1
Other household with dependent children	38.8	31.6	19.9	89.6	18.4
Total	43.5	38.5	17.2	100.0	100.0

TABLE 2.8 Poverty rates by household income before and after social transfers and average income by household type, 2001 (cont.)

Household type	Poverty rates			Mean income (% of average total eq. income)	Contri-bution to poverty (%)
	Before social transfers	After other social transfers – before pensions	After total social transfers		
Portugal					
1-person: male –64	32.0	32.0	19.0	131.5	1.4
1-person: male aged 65 or more	91.8	91.8	26.7	81.8	2.0
1-person: female –64	43.9	42.9	20.2	133.2	1.9
1-person: female aged 65 or more	95.0	93.2	37.7	78.6	13.0
2 adults without dependent child with at least one person aged 65 or more	81.4	79.7	29.8	88.3	18.0
2 adults without dependent child, both under 65	26.2	19.8	11.1	131.9	5.1
Other household without dependent children	30.5	26.0	10.6	111.6	9.8
Single parents with 1+ dependent child	43.3	41.7	36.6	80.6	3.2
2 adults with 1 dependent child	15.0	12.8	10.4	106.2	6.1
2 adults with 2 dependent children	23.2	18.9	17.5	111.6	10.3
2 adults with 3 or more dependent children	55.3	54.0	47.7	75.2	8.9
Other household with dependent children	41.0	36.6	25.2	76.0	20.5
Total	42.5	39.1	20.8	99.9	100.0

rates found for single-parent households with one or more dependent children. Spain shows the highest poverty rate and Portugal the second-highest. Next comes Greece, while Italy exhibits the lowest rate (yet the figure is slightly above the country's average). Furthermore, in all countries the average income of single-parent households was much lower than the country's mean (particularly so in Spain). The contribution of this group of households to overall poverty does not exceed 3.2 per cent (found in Portugal) in any of the countries.[28]

As to the poverty rates among the elderly, the findings are in line with our remarks above. The poverty rates for one-member, elderly-person households vary considerably between countries and are attributed almost exclusively to the impact of the pensions component of social transfers. Indeed, without social transfers, poverty rates in this group of households are close to, or above, 90 per cent, and this is by far the highest figure observed among all household types. Social transfers in Spain and Italy reduce the poverty rates among these households to a level well below the representative average figures for each country. Spain, in particular, shows the lowest poverty rates in this group of households, which is a significant achievement of the country's social security system. By contrast, in Greece and Portugal this group of households exhibits considerably higher poverty rates, well above the country's average figures. Apparently, income transfers in Greece and Portugal are less effective in reducing poverty among the elderly, and particularly among elderly women. Social transfers have a similar impact on households with two adults without dependent children with at least one person aged sixty-five or more. The latter group of households also exhibits quite high poverty rates (more than 80 per cent) in all countries for income before social transfers. After social security contributions these households have a comparatively low poverty rate in Italy but quite high rates in Greece and Portugal. Surprisingly, in Spain the social security contributions do not show the same effectiveness in reducing poverty rates in this household group as they do in one-member households. Taking into account the population configurations, this group makes the highest contribution to the country's total poverty in Greece, and a very high contribution in Portugal and Spain.

Poverty and individual characteristics of the household head In all four countries the average equivalent household income of those 'up to twenty-four years of age' and those aged 'sixty-five or more' is lower than the country's mean income (see Table 2.9). For the other age groups the distribution of equivalent household income varies considerably between the countries examined.

TABLE 2.9 Poverty rates by household income before and after social transfers and average income by age of head of household, 2001

	Age of head of house-hold	Poverty rates			Mean income (% of average total eq. income)	Contri-bution to poverty (%)
		Before social transfers	After other social transfers – before pensions	After total social transfers		
Italy	–24	56.8	52.6	45.3	66.4	1.1
	25–34	24.9	22.6	21.5	99.6	8.3
	35–44	24.9	22.7	21.8	99.8	21.4
	45–54	26.9	24.8	20.2	102.5	20.8
	55–64	51.9	49.7	18.2	102.2	19.0
	65+	82.4	79.1	16.7	97.9	29.4
	Total	50.2	47.6	19.1	100.0	100.0
Greece	–24	36.0	35.4	34.1	67.6	1.6
	25–34	18.1	16.4	14.0	117.0	5.4
	35–44	19.3	18.0	14.9	113.0	11.7
	45–54	24.3	22.5	17.6	103.9	16.3
	55–64	43.3	41.4	20.0	105.5	17.6
	65+	85.0	84.3	30.1	85.0	47.3
	Total	47.5	46.1	21.8	100.0	100.0
Spain	–24	46.8	34.7	22.1	83.1	2.6
	25–34	27.5	22.7	15.2	109.0	14.6
	35–44	31.1	26.2	18.3	95.8	26.9
	45–54	27.9	22.5	16.8	104.9	20.2
	55–64	35.7	27.1	16.8	114.7	13.7
	65+	90.1	88.2	17.6	85.4	22.1
	Total	43.5	38.5	17.2	100.0	100.0
Portugal	–24	23.5	20.0	19.9	90.2	1.4
	25–34	18.6	17.4	17.3	104.4	9.0
	35–44	25.6	21.7	20.4	102.9	18.1
	45–54	23.9	19.8	14.6	108.6	14.7
	55–64	39.9	34.8	19.0	111.0	17.1
	65+	77.2	74.9	27.7	84.2	39.8
	Total	42.5	39.1	20.8	100.0	100.0

Theoretically, the relationship between age and income should have the shape of an inverted U, as supported by a number of empirical studies in the field (Atkinson 1983). Among the four countries, however, it is only in Italy that the relationship between the age of the reference person and household income clearly has the typical inverted U shape. Spain and Portugal exhibit the highest average income for the fifty-five to sixty-four age group while for Greece this occurs for the twenty-five to thirty-four age group.-

Regarding the incidence of poverty by age groups, we can see that poverty among households in which the reference person is 'up to twenty-five years

TABLE 2.10 Poverty rates by household income before and after social transfers and average income by sex of head of household, 2001

	Sex of head of household	Poverty rates			Mean income (% of average total eq. income)	Contribution to poverty (%)
		Before social transfers	After other social transfers – before pensions	After total social transfers		
Italy	Male	46.1	43.4	19.3	101.8	74.0
	Female	61.5	59.2	18.7	95.1	26.0
	Total	50.2	47.6	19.1	100.0	100.0
Greece	Male	42.5	41.0	21.1	101.6	70.4
	Female	60.8	59.6	23.5	95.8	29.6
	Total	47.5	46.1	21.8	100.0	100.0
Spain	Male	38.3	33.7	17.1	101.6	74.7
	Female	59.3	52.9	17.4	95.2	25.3
	Total	43.5	38.5	17.2	100.0	100.0
Portugal	Male	38.6	34.5	19.3	102.9	65.7
	Female	51.7	50.0	24.1	93.2	34.3
	Total	42.5	39.1	20.8	100.0	100.0

of age' appears highest in Italy and Greece and lowest in Portugal (below the country's average). This group of households comprises young adults who have recently entered the labour market (or may be unemployed[29]), with low levels of work experience and thus relatively low earnings. It also includes full-time students who do not live with their parents but are financially dependent on them. By contrast, poverty rates among households where the reference person is 'sixty-five years old or more' appear highest in Greece and Portugal but lowest in Italy. In Spain the corresponding figure is slightly higher than the country's average. Almost half of total poverty in Greece and Portugal is represented by households in this group.

It is also notable that, with the exception of the 'sixty-five-plus' age group, social transfers do not significantly change the poverty ordering that emerges on the basis of original household income distribution. Our findings also make evident that social policies in Italy, Greece and Spain failed to help young people escape poverty. This is more evident in Greece, where social transfers have had almost no impact on poverty reduction in this group. In Portugal, the relatively low poverty rate found for this group of households is mainly attributed to their low poverty rate in terms of income before social transfers rather than to the impact of social transfers themselves.

The impact of gender also varies in the four countries, as demonstrated in Table 2.10. In all four countries female-headed households have a relatively lower average income than male-headed households. The poverty rates do not, however, show similar trends. In Greece and Portugal women run a higher poverty risk than men. By contrast, in Italy the opposite is the case (while in Spain no substantial gender differences are observed). This indicates that income is probably less unequally distributed among households headed by women in Italy. This phenomenon could be explained by the fact that a large proportion of female-headed households consist of one-member families with an elderly/retired person. And as we have seen thus far, in Italy (as well as in Spain) the incidence of poverty among elderly people is comparatively low.

Education has been generally acknowledged as an important factor in explaining observed inequality.[30] As Table 2.11 shows, in all countries the impact of education is somewhat similar. The higher the educational level of the head of household, the higher the household's equivalent income and the lower the risk of poverty. Italy and Spain exhibit a similar pattern of income distribution and poverty incidence in respect to the three educational categories examined. In both countries, the average income of those households in the category 'third-level education' is almost double the income of those in the category 'less than the second stage of secondary education'. In the same way, the poverty rates found in the former group amount to about one-third of the poverty rates for the latter. A similar pattern, but with sharper differences between educational levels, characterizes Greece. On the other hand, Portugal has the sharpest differences in average income and poverty rates between educational groups. The average income of households in which the head has a third-level education is three times higher than that of households in which the level of education of the head is less than the second stage of secondary education. The corresponding poverty rates in these two sub-groups are 1.4 and 24.6 per cent respectively. These marked differences in income and poverty rates in Portugal could be partly attributed to the considerable lower proportion of the population found with an education at the second stage of secondary level or higher. Thus, the volume of work that needs to be done by better-educated people is divided between fewer people. In addition, the scarcity of better-educated people increases their negotiating power to achieve higher rewards. Interestingly, in all four countries the proportional reduction of poverty rates by virtue of income transfers (particularly pensions) is higher for the group of households in the 'third-level education' category than for the other two groups at a lower educational level.

Household income and poverty rates according to the employment

TABLE 2.11 Poverty rates by household income before and after social transfers and average income by educational level of head of household, 2001

Educational level of head of household	Poverty rates			Mean income (% of average total eq. income)	Contribution to poverty (%)
	Before social transfers	After other social transfers – before pensions	After total social transfers		
Italy					
Recognized third-level education	22.5	21.5	9.7	151.6	3.9
Second stage of secondary-level education	26.1	24.4	10.3	117.7	14.9
Less than second stage of secondary education	63.8	60.6	24.0	86.4	81.2
Total	50.2	47.6	19.1	100.0	100.0
Greece					
Recognized third-level education	16.1	15.6	2.6	167.2	2.0
Second stage of secondary-level education	26.2	25.2	10.6	116.5	12.1
Less than second stage of secondary education	65.1	63.4	31.7	74.4	85.9
Total	47.5	46.1	21.8	100.0	100.0
Spain					
Recognized third-level education	18.7	16.3	7.1	148.5	9.9
Second stage of secondary-level education	25.5	21.1	8.2	113.8	7.3
Less than second stage of secondary education	57.9	51.8	23.5	77.3	82.7
Total	43.5	38.5	17.2	100.0	100.0
Portugal					
Recognized third-level education	7.6	7.6	1.4	231.2	0.6
Second stage of secondary-level education	19.3	17.1	4.2	146.7	1.6
Less than second stage of secondary education	48.8	44.9	24.6	80.2	97.7
Total	42.5	39.1	20.8	100.0	100.0

TABLE 2.12 Poverty rates by household income before and after social transfers and average income by activity status of head of household, 2001

Activity status of head of household	Poverty rates			Mean income (% of average total eq. income)	Contribution to total poverty (%)
	Before social transfers	After social transfers – before pensions	After total social transfers		
Italy					
Working with an employer in paid employment	18.5	16.3	15.1	106.6	27.2
Self-employed	29.1	27.8	25.6	109.5	20.5
Unemployed	70.6	68.9	67.1	58.1	6.5
Retired	80.6	77.8	13.4	98.7	26.5
Doing housework, looking after children or others	70.2	67.0	32.5	78.7	12.5
Other economically inactive	74.5	65.4	40.8	73.4	6.8
Total	50.2	47.6	19.1	100.0	100.0
Greece					
Working with an employer in paid employment	10.6	10.0	8.1	122.3	11.5
Self-employed	31.4	29.3	25.9	98.9	26.1
Unemployed	58.8	56.9	37.9	69.4	3.3
Retired	84.1	83.1	30.2	88.0	47.5
Doing housework, looking after children or others	71.3	70.4	20.9	85.2	8.4
Other economically inactive	48.7	39.0	30.2	71.4	3.2
Total	47.5	46.1	21.8	100.0	100.0

Spain					
Working with an employer in paid employment	21.1	17.2	11.3	111.6	34.9
Self-employed	29.1	25.3	19.1	110.5	18.3
Unemployed	68.1	53.8	39.6	65.7	13.5
Retired	95.6	94.1	20.6	80.8	18.4
Doing housework, looking after children or others	95.9	92.6	29.4	59.7	4.0
Other economically inactive	95.5	78.7	26.9	71.3	10.8
Total	43.5	38.5	17.2	100.0	100.0
Portugal					
Working with an employer in paid employment	17.1	14.2	11.5	118.7	23.2
Self-employed	39.6	36.5	27.4	88.4	26.2
Unemployed	41.0	25.0	24.3	86.5	2.8
Retired	76.7	74.2	24.2	89.4	33.5
Doing housework, looking after children or others	60.6	58.1	35.9	66.6	6.8
Other economically inactive	64.6	52.6	46.5	74.8	7.5
Total	42.5	39.1	20.8	100.0	100.0

TABLE 2.13 Poverty rates by household income before and after social transfers and average income by occupation of head of household, 2001

Occupation of head of household	Poverty rates			Mean income (% of average total eq. income)	Contribution to total poverty (%)
	Before social transfers	After other social transfers – before pensions	After total social transfers		
Italy					
Legislators, senior officials and managers, professionals (Group I)	8.7	8.3	7.5	151.1	3.0
Technicians and associated professionals (Group II)	12.8	11.8	10.5	128.7	3.2
Clerks, service workers and shop and market sales workers (Group III)	18.0	16.5	14.5	107.1	11.1
Agricultural and fishery workers and related labourers (Group IV)	55.7	52.9	45.3	75.2	7.6
Craft and related trades workers, plant and machine operators and assembly-line workers (Group V)	28.2	25.2	24.2	90.1	18.5
Elementary occupations (sales and services), labourers (Group VI)	36.4	34.2	32.1	82.1	5.6
Total	50.2	47.6	19.1	100.0	100.0
Greece					
Legislators, senior officials and managers, professionals (Group I)	9.2	8.8	7.8	153.5	4.9
Technicians and associated professionals (Group II)	2.2	2.2	1.2	160.5	0.2
Clerks, service workers and shop and market sales workers (Group III)	13.1	12.0	8.3	113.8	4.0
Agricultural and fishery workers and related labourers (Group IV)	53.3	50.2	44.5	64.3	15.1
Craft and related trades workers, plant and machine operators and assembly-line workers (Group V)	20.3	19.2	17.0	90.9	12.1
Elementary occupations (sales and services), labourers (Group VI)	31.1	26.6	21.6	82.5	2.5
Total	47.5	46.1	21.8	100.0	100.0

Spain					
Legislators, senior officials and managers, professionals (Group I)	12.0	10.1	6.3	166.9	6.1
Technicians and associated professionals (Group II)	14.2	11.9	8.3	123.5	4.2
Clerks, service workers and shop and market sales workers (Group III)	29.9	24.3	15.6	94.8	9.5
Agricultural and fishery workers and related labourers (Group IV)	52.2	45.3	33.8	79.3	10.5
Craft and related trades workers, plant and machine operators and assembly-line workers (Group V)	25.2	20.7	14.7	86.4	19.4
Elementary occupations (sales and services), labourers (Group VI)	33.1	26.9	17.9	84.5	6.7
Total	43.5	38.5	17.2	100.0	100.0
Portugal					
Legislators, senior officials and managers, professionals (Group I)	7.6	6.4	5.5	174.4	3.5
Technicians and associated professionals (Group II)	2.9	2.9	1.7	168.1	0.3
Clerks, service workers and shop and market sales workers (Group III)	12.4	9.3	6.2	115.7	3.1
Agricultural and fishery workers and related labourers (Group IV)	63.3	57.5	38.6	62.0	18.8
Craft and related trades workers, plant and machine operators and assembly-line workers (Group V)	26.5	22.8	20.6	79.2	20.1
Elementary occupations (sales and services), labourers (Group VI)	39.4	36.0	25.2	72.2	7.5
Total	42.5	39.1	20.8	100.0	100.0

status of the household head are also found to vary considerably between the southern European countries (see Table 2.12). In Spain, Portugal and Greece, average income is highest in comparison to the country's mean income for the household group with a head 'working with an employer in paid employment', while in Italy the household group with a head in self-employment has a relatively higher income. The latter group of households also has a higher average income than the country's mean in Spain (but this is slightly lower than that of households with an employee as its head). On the other hand, in Portugal the group of households with a 'self-employed' head shows a considerably lower average income than the country's mean, while in Greece the average income of this group is slightly below the country's mean. It should be noted that the group of 'self-employed' includes farmers and agricultural workers who have very low incomes in all countries (see Table 2.13). The higher sample proportion of agricultural and fishery workers in Portugal and Greece explains the difference.

In Italy, Spain and Greece the group of households with an unemployed head runs the highest risk of poverty, and in Italy and Greece this group also exhibits the lowest average income (in Spain the lowest average income characterizes the group of households with a head 'doing housework, looking after children or other persons'). The impact of social transfers in the group of households with an unemployed head is particularly weak in Italy (with Spain and Greece being ranked above Italy in this respect). This indicates the limited other means of support available to these households beyond their work. By contrast, in Portugal the group with the lowest income and highest poverty rates comprises households with a head 'doing housework, looking after children or others' and those with an 'economically inactive' head. Equally high is poverty among 'retired' heads of households in Greece and Portugal, while the lowest poverty rate for this group is found in Italy. These findings are consistent with the foregoing analysis of the relative efficiency/inefficiency of the social security system in reducing poverty among the elderly in the four countries examined.

Some remarks should be made about current policy priorities for poverty reduction. Since the late 1980s high-flown rhetoric on the part of governments and the EU has increasingly focused on employment policies and the reduction of unemployment, as key weapons for alleviating poverty. The above figures do not entirely support this enthusiasm, however. The poverty rates among the unemployed are not high in all countries. In addition, given the relative size of the unemployed population, even when the poverty rates in this group are very high, the absolute contribution to overall poverty is marginal.[31] This argument is not intended to denigrate employment policies. On the contrary, what is really stressed is that fighting poverty needs more active government interventions and more effective social policies, which cannot be limited to reducing unemployment rates. Alleviating poverty among elderly people, particularly in Greece and Portugal, and supporting families with dependent children in all four countries, would have a more profound impact on reducing a country's overall poverty than simply reducing unemployment.

The differences in average income and in poverty rates among household groups aggregated according to the occupation of their head are quite sharp in all countries (see Table 2.13). Agricultural and fishery workers are those with the lowest equivalent income and the highest poverty rates in all countries. The households in Group I (legislators, senior officials, managers and professionals), Group II (technicians and associate professionals) and Group III (clerks, service workers and shop and market sales workers) are those with the highest average incomes and with lower poverty rates than the country's median figure. A striking characteristic in all countries is that households belonging to Group I have a high income but they also run a significant risk of poverty, which in the case of Greece and Portugal is even higher than the risk exhibited by Group II. Particularly in these countries, this finding indicates a high dispersion of income among the households of Group I, which could partly be attributed to the fact that this occupational group is less homogeneous than the others. Equally important is the fact that Group I includes a large number of self-employed people, whose earnings have a high variation. Furthermore, in Portugal there are marked differences in average income between the households belonging to Groups I and II and the other household categories. In line with the argument made above, a plausible explanation for this finding could be the lower proportion of the Portuguese population found in Groups I and II, which consist mainly of people with a higher level of education.

Finally, no major differences are observed between occupational categories as to the distributional impact of social transfers in the four countries. The overall positive impact that is found is mainly attributed to pensions. This impact (in absolute terms) is stronger for households classified in Groups IV, V and VI, and is particularly marked in Spain.

Concluding remarks

In this chapter we have examined the incidence of poverty and the poverty profiles in Italy, Spain, Portugal and Greece in the second half of the 1990s. A brief overview of the main characteristics of the social protection systems and policy changes in southern Europe, which was undertaken in the first part of the chapter, provided the basis for our analysis. The emphasis was on: (a) major imbalances that, to one degree or another, have traditionally characterized southern European countries (for example, a transfer-heavy welfare state with a strong pension bias, feebleness of social assistance and family support measures, emergency-driven anti-poverty policies leaving a large number of needy groups unprotected, low administrative capacity in benefit distribution); and (b) significant policy innovations with respect to poverty alleviation over the last decade.

As testified by the empirical analysis, in all four countries a reduction in inequality and poverty occurred between 1994 and 2001. The degree of poverty reduction, however, as well as the differential effect of social reforms upon a range of social groups that experience a high poverty risk, vary considerably between the four countries.

Our analysis extensively documented cross-cutting patterns of similarities and differences between these countries, on the basis of a number of variables. Most important is the distinction that arises between Italy and Spain on the one hand, and Portugal and Greece on the other, with regard to the incidence and severity of poverty among the elderly. In the former countries, substantial reforms in pensions and the broader field of social security (including the introduction and/or coordination/rationalization of various non-contributory benefits for the elderly and the disabled) were achieved on the basis of a more or less successful public dialogue and social consensus over the last decade.[32] As a result, Italy and, to a large degree, Spain scored significant successes in reducing inequality and poverty among retired people in the late 1990s and early 2000s. In Portugal, in the same period, efforts to build consensus on social reform did not yield substantial results as regards poverty alleviation among elderly people. Thus, in Portugal (as well as in Greece, where public concern about poverty issues is marginal) the population group of elderly/retired people incurs a very high poverty risk.

In parallel, in Italy and Spain the overall strong bias of social protection towards old age tends to crowd out resources for family support and anti-poverty measures for households in early or middle stages of the life cycle. Consequently, a high poverty risk is experienced by families with dependent children (the risk is greatly accentuated in large households), by households headed by very young (but also middle-aged) persons, and by households where the head is unemployed. A difference between these two countries concerns one-parent households: these face a relatively low poverty risk in Italy (but higher than the country's total figure), in contrast to Spain, where this group of households exhibits the highest poverty incidence. In addition, in both these countries new schemes of minimum guaranteed income (along with insertion policies) were introduced at the regional/local level, in pace with a growing decentralization process, over the last decade. In Italy such a programme was piloted for two years, but there are no signs, however, of a systematic, nationwide implementation in the future. On the other hand, in Spain, as early as the mid-1990s almost all Autonomous Communities had implemented minimum income schemes. Nevertheless, up to now this policy innovation has remained fragmented and uncoordinated. Both in Italy and Spain, great inequalities are reported in terms of the level of provision, coverage and financial resources commanded by regions and localities. These conditions cast doubt on the efficiency of regional/local programmes in alleviating poverty, in the absence of a nationwide coordinating policy that could provide the means to equalize output.

With regard to Portugal, there is considerable evidence that new policy measures succeeded in redistributing resources at the lower end of the income distribution, and in particular in reducing the severity of poverty among disadvantaged groups of the population. The implementation of a minimum guaranteed income at the national level, along with strategic planning policies and social networking at the local level, has significantly contributed to these results. Nevertheless, the poverty risk remains high among retired persons and among households in which the head is a farmer (these households also have the lowest mean income as a percentage of average total equivalent income). In addition, poverty among one-parent families is particularly acute (although the mean income of this group is not as low as it is in Spain). What is more, a high degree of economic inequality at the top of the income distribution (a trait that Portugal more or less shares with Greece) is linked to a strong polarization. In Portuguese society, the income gap between groups at the upper end of the socio-professional hierarchy (most of them with an upper secondary and tertiary level of education) and those at the lower end is much higher than in the other three countries.

Finally, Greece scores lowest with respect to public concern about poverty, anti-poverty efforts and efficiency of social transfers in terms of redistribution and poverty alleviation. A long-standing tradition of 'implicit' revenue-creating processes and a highly polarized, discriminating and haphazard (in terms of targeting efficiency) social security system create serious obstacles to change in the direction of rationalizing social security and achieving universalism. Most importantly, these characteristics extensively sustain counter-productive conditions for welfare politics which block any attempts at building consensus around long-term reform objectives.

In closing, we would like to remark that a comparative analysis of poverty trends and anti-poverty policies in southern Europe can greatly contribute to identifying common/divergent successes and shared challenges. The more so as poverty alleviation and social inclusion policies are progressively acquiring relevance at the EU level as a field of joint, though 'open' and 'flexible', coordination of policy objectives, programme designs and implementation processes. Let us stress here, however, that simply reinforcing cooperation in the social field is not enough to bring about an expansion of social citizenship in the countries of southern Europe – which to a greater or lesser degree lag behind in social welfare. There are no binding requirements attached to such cooperation, and what is more, a neo-liberal orientation that promotes the privatization of social insurance, and the targeting and residualization of welfare benefits, tends to override concerns about a social approach in the context of economic and monetary union. Given this, the future of the European social model, and its expansion in the countries that either lack a welfare state tradition (as is the case in the four countries examined here) or those that have recently broken with their past welfare patterns (as is the case in the transition countries in the recent EU enlargement), appears to be endangered.

A more straightforward policy on the part of the EU (and the European Commission) to preserve and further promote social standards that are part of the Community *acquis* (with regard to most of the north-western EU member states) can exert a significant influence on expanding social citizenship and the criteria of universal coverage and effective redistribution in the countries of the south (as well as in the eastern European transition countries). If, on the other hand, as seems likely with the recent enlargement, 'a multi-speed Social Europe' prevails, this will bring 'fragmentation of social policy' across the EU and may even endanger 'the European construction as a whole' (Vaughan-Whitehead 2003: 526). This will have detrimental effects on inequality, poverty and deprivation, particularly in those countries that have highly unbalanced social protection systems; all the more so as with the recent EU enlargement (and prospective accession by other south-eastern European countries that have already received candidate status, including Turkey), rising (relative but also absolute) poverty at the EU level will further intensify deprivation and living-standard deterioration.[33] All this makes a strong case for advocating the reinforcement of the Community *acquis* in social policy, so as to make it part of 'hard' and not just 'soft' policy measures. As Vaughan-Whitehead (2003: 530) aptly emphasizes, the EU should not 'lose the opportunity to provide an example to the rest of the world of a system that could efficiently generate both economic competitiveness and social cohesion'. This certainly is a challenge that could offer a strong precedent worldwide

– and more specifically for the Mediterranean region – on how to integrate social issues within the goals of economic development.

Appendix A

The following definitions and formulae for the inequality indices and summary measures were used in the present study (see Atkinson 1983; Anand 1983; Jenkins 1991; Lambert 1993; Cowell 1995, 2000; Sen 1997):

Gini index: $$G = \frac{1}{2\eta^2\mu}\sum_{i=1}^{n}\sum_{j=1}^{n}\left|y_i - y_j\right|$$

where n is the population size, y_i is the equivalent income of the unit (household or person) i and μ is the mean equivalent income.

Atkinson family indices: $$A_\varepsilon = 1 - \left(\frac{1}{n}\sum_{i=1}^{n}\left(\frac{y_i}{\mu}\right)^{1-\varepsilon}\right)^{\frac{1}{1-\varepsilon}}$$

for $\varepsilon \geq 0$ and $\varepsilon \neq 1$ where ε is the inequality aversion parameter.

Generalized Entropy family indices for values θ other than 0 and 1:

$$E_\theta = \frac{1}{\theta(1-\theta)}\left(\frac{1}{n}\sum_{i=1}^{n}\left(\frac{y_i}{\mu}\right)^{\theta} - 1\right)$$

while for $\theta = 0$ and $\theta = 1$ the Generalized Entropy index can be expressed in the forms:

$$E_1 = \frac{1}{n}\sum_{i=1}^{n}\frac{y_i}{\mu}\ln\left(\frac{y_i}{\mu}\right)$$

$$E_0 = \frac{1}{n}\sum_{i=1}^{n}\ln\left(\frac{\mu}{y_i}\right)$$

where $E_1 = T$ (Theil's Entropy Index) and $E_0 = L$ (Mean Logarithmic Deviation).

Appendix B

Poverty rates by equivalent household income before and after social transfers based on alternative income poverty thresholds, 1994–2001 (poverty lines defined as % of the country's mean and median equivalent household income) (see page 88).

		40% of mean eq. inc.			50% of mean eq. inc			60% of mean eq. inc.		
		Before social transfers	After soc. transfers, before pensions	After total social transfers	Before social transfers	After soc. transfers, before pensions	After total social transfers	Before social transfers	After soc. transfers, before pensions	After total social transfers
Italy	1994	41.7	38.1	11.9	48.1	44.6	18.2	53.8	51.1	28.1
	2001	41.0	37.6	8.7	47.0	44.3	15.4	54.4	52.0	24.2
Greece	1994	39.4	37.9	18.3	45.3	43.9	25.3	50.9	49.5	32.2
	2001	42.3	40.6	13.8	47.4	45.8	21.4	52.9	51.5	29.9
Spain	1994	43.1	34.6	11.8	48.6	41.6	20.3	55.0	49.0	29.0
	2001	37.1	32.9	10.5	43.8	38.8	17.5	51.7	46.6	28.6
Portugal	1994	38.7	33.8	17.6	45.3	41.1	27.3	51.4	46.7	35.2
	2001	38.1	33.7	14.7	44.8	41.3	24.6	52.7	48.7	34.7

		40% of median eq. inc.			50% of median eq. inc			60% of median eq. inc.		
		Before social transfers	After soc. transfers, before pensions	After total social transfers	Before social transfers	After soc. transfers, before pensions	After total social transfers	Before social transfers	After soc. transfers, before pensions	After total social transfers
Italy	1994	38.6	34.9	9.2	43.5	40.2	13.6	48.7	45.5	19.8
	2001	38.8	35.5	7.1	44.0	40.8	11.6	50.2	47.6	19.1
Greece	1994	35.7	34.1	14.0	40.0	38.6	18.9	45.2	43.7	24.9
	2001	38.4	36.7	9.3	43.2	41.6	14.9	47.5	46.1	21.8
Spain	1994	38.6	29.8	6.8	43.3	34.7	11.9	47.6	40.4	18.6
	2001	33.4	28.8	6.2	37.6	33.6	11.8	43.5	38.5	17.2
Portugal	1994	34.1	29.7	11.3	38.0	33.4	16.8	43.0	38.4	23.6
	2001	31.4	27.0	6.7	37.3	33.1	13.9	42.5	39.1	20.8

Notes

1 ECHP-UDB, December 2003 version. The current data analysis was done within sub-project 3, 'Subject Matter Database for Economic and Social Inequality', of the National Centre for Social Research (EKKE) project 'Node Development for Secondary Analysis and Processing of Socio-economic Indicators and Variables'.

2 For a recent study of the diversified and fragmented local social assistance schemes in southern European cities, see Saraceno (2002).

3 For a detailed analysis of these issues see Petmesidou (1996a, 1996b, 2000).

4 Fragmentation of social insurance funds is highest in Greece.

5 This is particularly the case in Italy, where, according to some authors, the stipulations of European economic and monetary integration functioned as a '*vincolo esterno*' (a source of external discipline) for socio-economic reform in Italy (Dyson and Featherstone 1999). In the same vein, Ferrera (1999) considers socio-economic reform in Italy in the 1990s as a 'rescue' process enforced by Europe.

6 Health and social care reform, however, is outside the scope of our analysis.

7 The so-called Amato, Dini and Prodi reforms, respectively.

8 As Sacchi et al. (2002: 133) stress, however, 'when considered under a poverty-reduction perspective', such a measure is 'target-inefficient' and not very effective in reducing poverty incidence. It is found that almost 60 per cent of expenditure on civil invalidity pensions reaches individuals above the poverty line.

9 See Ministero del Lavoro e delle Politiche Sociali (2003) and Ministry of Labour and Social Affairs (2003). A characteristic that is also clearly evident in the Greek National Action Plan for Inclusion, 2003–05 (Ministry of Labour and Social Security 2003).

10 On these issues, see also Chapter 3 in this volume.

11 An equally important Pact on Social Reform was also concluded in April 2001.

12 Compared to the other three countries, Spain introduced guaranteed minimum income programmes (accompanied by social insertion measures) much earlier: the Basque regional authorities pioneered such a scheme in 1987, while other regions followed suit. The role of Caritas should also be stressed here in provoking wide public debate on poverty and marginalization since the mid-1980s. This culminated in a campaign demanding that public authorities should combat poverty.

13 Pereirinha's analysis in Chapter 4 further corroborates this argument.

14 For a review of recent anti-poverty measures see Matsaganis (2002). The 2003–05 National Action Plan for Inclusion more or less aims at the continuation of measures in the 2001–03 plan. As our emphasis here is on policy measures over the 1990s, however, we do not discuss the latter plan in detail.

15 Cross-sectional weights were also applied in the analysis of ECHP data.

16 The last three indices are part of the family of Generalized Entropy measures $E_{(\theta)}$: T is the $E_{(1)}$, L the $E_{(0)}$, and C^2 the $E_{(2)}$. For a detailed presentation of inequality indices and their properties, see Atkinson (1983); Atkinson and Bourguignon (2000); Anand (1983); Jenkins (1991); Lambert (1993); Cowell (1995); Sen (1997). The definitions and formulae of the inequality indices and the summary measures used are presented in Appendix A.

17 Differences were also observed when this ordering was based on other inequality indices and summary measures. Such differences are in line with other studies (see Smeeding 1991; Atkinson et al. 1995; Papatheodorou et al. 2004). Any comparison of inequality is affected significantly by the particular indices or summary measures used. None of the alternative indices that have been proposed for measuring and assessing inequality can be considered to be value free (Atkinson 1983; Cowell 2000, 1995; Sen 1997). Each of these summary measures weights the transfers differently at various points of the income scale and thus imposes, explicitly or implicitly, certain value-judgements about society (see also Papatheodorou 2004). Thus G is generally more sensitive to differences at the middle of the distribution, while Atkinson indices are generally more responsive to transfers at the lower part of the income distribution. The sensitivity of the Atkinson index depends on the value of inequality aversion parameter ε. The higher the value of the parameter ε, the more responsive the Atkinson index is to changes at the bottom end of the distribution. Therefore $A_{(\varepsilon=2)}$ is more responsive to transfers at the lower parts of the distribution than $A_{(\varepsilon=0.5)}$. Within Generalized Entropy family indices, the higher the value of parameter θ, the higher is the emphasis placed on transfers at the top of the distribution. Therefore L is relatively more sensitive to differences at the bottom of the distribution and C^2 is more sensitive to differences at the top.

18 The only exception is index C^2, which shows that inequality has increased in Spain.

19 Given the low level of expenditure on it (as a percentage of GDP) and fragmentation in its implementation.

20 If the corresponding Lorenz curves do not intersect, all inequality indices that satisfy the mean independence, the population independence and the principle of transfers will give an unambiguous ranking for Italy as the country with the lowest inequality of income before transfers (see Anand 1983; Lambert 1993).

21 As discussed above, summary measures more sensitive to transfers at the level of the very low- or very high-income population groups may give a different inequality order. Indeed, estimates based on $A_{(\varepsilon=2)}$, an index particularly sensitive to transfers at the bottom of the distribution, place Spain as the country with the highest inequality.

22 Estimates on poverty rates based on alternative income poverty thresholds are presented in Appendix B.

23 A word of caution should be expressed here, however, because the ECHP data are based on a sample designed in 1994 that does not adequately represent the immigrant population, which, since the early 1990s, has rapidly increased in south European countries.

24 This is more evident when we compare the poverty rates and the impact

of social transfers in these countries with those of other EU countries. Papatheodorou and Petmesidou (2004) investigated the impact of social transfers on poverty and inequality in EU countries that belong to different welfare regimes. They showed that poverty rates for household income before social transfers in southern European countries do not differ from figures found in other (north-western) EU countries. The significantly higher poverty rates (for income after social transfers) in the four southern European countries are attributed to the lower distributional impact of social transfers (and particularly of the other social transfers except pensions) in these countries compared to north-western Europe.

25 This new ministry pursued a course of action of coordination with regional governments in the development of social planning for old-age protection, drug addiction, equal opportunities and policies addressed to youth. After the victory of the Popular Party in 1996, however, the Ministry of Social Affairs was again amalgamated with the Ministry of Labour.

26 The poverty gap measures the distance between the mean income of those in poverty and the poverty line. In order to produce comparable and mean-independent estimates, we refer to the relative poverty gap, which is expressed as a proportion of the poverty line.

27 For an account of take-up trends, entry and exit from the GMI programme, the profile of beneficiaries and their views and expectations of the programme, see Chapter 4 in this volume; see also Capucha et al. (2002: 35–7).

28 This group makes the smallest contribution to poverty in Italy (1.3 per cent) and the second-smallest in Greece (2.4 per cent). It should also be mentioned here that on the basis of the ECHP wave-7 data, the poverty rate for this group in Greece, in 2000, was 22.6 per cent. It is obvious that any small increase in the number of poor households in this group significantly affects the poverty rate. Performing an analysis of inequality by income component in the case of Greece (on the basis of another set of data), Papatheodorou (2000) showed that a large part of household income for one-parent families is attributed to sources such as alimonies for former spouses and children, and remittances. This group of households in Greece is usually headed by divorced or widowed women, or wives of emigrants or seamen (who are not considered household members). For similar remarks in the case of Italy, see also Chapter 3 in this volume.

29 But lacking social security benefit entitlements.

30 The available variables from ECHP-UDB do not allow for a detailed analysis of the impact of education, since it is impossible to sub-categorize those with an educational level less than the second stage of secondary education. The vast majority of heads of households in all countries belong to this category.

31 Thus, even in Italy and Spain, which have the highest rates of poverty among the unemployed, the absolute contribution of this household group to overall poverty is 6.5 per cent and 13.5 per cent respectively. A hypothetical elimination of unemployment would reduce the country's overall poverty rate by approximately 1.3 percentage points in Italy and 2.3 in Spain. The corresponding figure for Greece and Portugal is only 0.7 per cent.

32 Which, however, ended in stalemate in the early 2000s.

33 For instance, in Hungary the percentage of those living below the 'subsistence minimum' went up from 10 per cent in the early 1990s to about 30 per cent in the early 2000s. The situation is even worse in Bulgaria, Romania and Turkey, where roughly 30 to 50 per cent of the population were below the respective national poverty lines in the late 1990s/early 2000s (Vaughan-Whitehead 2003: 134).

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3 | Poverty and poverty discourses in Italy in comparative perspective

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Italy, one of the EU-15 countries with the highest poverty rates, has at best a reluctant and fragmented anti-poverty policy, and poverty itself does not have a place in the policy agenda. This is due to the specific features of the Italian welfare regime, which are similar to those of other Mediterranean countries, and include a strong reliance on the family and inter-generational solidarity, and a pronounced geographical concentration of poverty, with the latter making poverty a politically sensitive issue. This situation leaves the Italian policy debate uncritically and instrumentally open to the conceptual and policy shifts that have occurred in European research and policy discourses, namely the shifts from poverty to social exclusion and from income support to welfare to work and activation. In this chapter I will first present the European research and policy debate, followed by a presentation of the main features of poverty in Italy. Finally, Italian policies in the context of both policy debates and poverty will be discussed.

Research and policy discourses in the European context

A paradigmatic shift? Poverty seems to have lost intellectual momentum in research, but this is also the case in policy discourses. The awareness that income poverty is just one dimension in personal and collective experiences, which may be widely different, has for a long time prompted the search for richer, more complex concepts. Social exclusion is one of the concepts – and certainly the most widely used in Europe – with which researchers have tried to grasp the multi-dimensionality and relational nature of the experience of being poor. Fassin (1996), among others, suggests that the social exclusion approach has taken over at least two other competing frameworks: that of the underclass, which is prevalent in the United States, and that of *marginalidad*, which is prevalent in Latin America.

The conceptual shift from poverty to social exclusion has been promoted on the grounds that there is a need to introduce a dynamic and multi-dimensional approach, as well as a relational one, rather than relying on a simple redistributive focus on the analysis of the processes and experiences of material deprivation (see, e.g., Room 1995; Paugam 1996; Atkinson 1998).[1] To some degree, the emergence of the concept of social exclusion has strengthened those concepts of, and approaches to, poverty which stress that it involves not only the lack of fundamental resources, but also the inability to fully participate in one's own society (see, e.g., Townsend 1979). Focusing on relations rather than poverty per se better reveals the mechanisms causing marginalization and the processes associated with it, while at the same time acknowledging the agency of those who are excluded. In these and other respects, the concept of social exclusion emerges as more dynamic, actor-oriented, multi-faceted and methodologically plural than the concept of poverty.

Notwithstanding the wide popularity of the concept, however, agreement on what social exclusion is about is far from achieved. On the contrary, the more it is used the more vague if not equivocal the notion of social exclusion becomes as a scientific category. According to Levitas (1998) the idea of social exclusion can be incorporated within discourses embracing different views of the world: the 'redistributive' discourse, which focuses on financial poverty, the 'moral underclass' discourse, which centres on the moral and behavioural inadequacies of excluded people, and the 'social integrationist' discourse, which focuses mainly on paid work. Analogously, Silver (1994) identifies three different theoretical and political perspectives within which the concept (or metaphor) of social exclusion is developed: that of solidarity and social cohesion, that of individualism, and that of power relations and social rights. These may be traced to the French, the Anglo-American and the European social democratic traditions respectively.

Because of the different perspectives and intentions behind it, the concept (or metaphor) of social exclusion may be used to characterize situations or populations that are so different that it is sometimes difficult to understand what they have in common. Furthermore, recent research has begun to question the empirical and theoretical validity of the relation between poverty and social exclusion. Empirical data suggest that there is no self-evident link between unemployment and poverty, nor between poverty and social isolation and/or psychological ill-being. Not only do these vary among social groups and on the basis of the duration of the experience of economic distress or unemployment (see, e.g., Leisering and Leibfried 1999), but they also differ across countries according, *inter alia*, to the social security system, family arrangements and culture (Saraceno 1997, 2002b; Gallie and Paugam 2000, 2003; Layte and Whelan 2003). As a matter of fact, the locus from which, and the actors with regard to whom, the social exclusion discourse is developed and then extended to other contexts should not be overlooked. Both the national and cultural contexts and the actors focused upon highlight specific patterns of social exclusion and ways of understanding it. A recent report by Gallie and Paugam (2003) for the European Commission, based on Eurobarometer data from various years, shows precisely how these understandings vary across countries as well as across time, depending on national cultural traditions, and on unemployment rates. Furthermore, while welfare dependency is increasingly seen as a cause of social exclusion (or negative inclusion), dependency on one's own family resources is not, particularly in the case of women and the young. As a consequence, the fact that women may be excluded from employment and other forms of social participation not because they are uprooted or have weak (or loose) social networks but because they are too strictly embedded – included – in family networks and obligations, tends to be overlooked.

Actually, the dual and ambivalent role of family solidarity in protecting and restricting women, and the dense networks in which many of the poor and long-term unemployed conduct their lives in Mediterranean countries – which defy conventional visions of the socially excluded as isolated – are a good example of the need for an integrated view of the two interrelated levels where social exclusion occurs: the level of (individual) social rights and the level of community membership. Community membership without individual rights may be as exclusionary (albeit differently) as access to social rights without access to community membership. And the severest exclusion occurs when access to both is denied or impossible. There is a need for a conceptualization of social exclusion – as well as of its indicators[2] – that is more attentive to context specificity, both in terms of welfare regimes[3] and in terms of national, local and group-specific cultural understandings of patterns of inclusion, participation in a meaningful life and so forth. At the same time, the experience of economic poverty – in conjunction with social exclusion (or not) – should not be overlooked, both in research and in policy.

The European policy discourse: from the minimum resource guarantee to activation Poverty and (later) social exclusion have been present in the European discourse and policy agenda for over two decades now. Three anti-poverty programmes, one Observatory on Poverty, a number of recommendations, including the 1992 minimum resources guarantee, the funding of trans-national research networks and projects, together with the failed launch of the fourth anti-poverty programme, paved the way for the Lisbon Summit declaration in March 2000 and the agreement to include poverty and social exclusion among the issues that should be dealt with through the open coordination method, starting with the preparation of a National Action Plan and the development of common indicators. Thus, both the scientific and research discourse and the national policy discourse have been deeply affected by EU policy in this field to a degree that would deserve a specifically dedicated study. What we may observe here is that this process has contributed to developing a common language within the research and the policy field in an area characterized by wide cultural and social differences – of degree and of meaning. Poverty, in fact, is not the same across the EU, neither from the demographic (composition by age, gender, family type, ethnicity and so forth) nor from the quantitative point of view. In particular, even though the issue of measurement is still open,[4] there is no doubt that the incidence of poverty from Denmark to Portugal can increase up to seven times. These differences have widened further with EU enlargement. Given the variety of welfare state regimes, they overlap with differences in basic social rights, and thus in the 'basket of goods' available to citizens irrespective of their financial situation, as well as with differences in income support systems. Thus, the 'common language' is put to the test not only by the different starting points, but by the different understandings of goals and means developed within different cultural and social policy traditions, notwithstanding all the efforts put into developing common indicators and benchmarking criteria.

Eleven years after the 1992 recommendation on the minimum resources guarantee, among the fifteen EU countries two – Italy and Greece – still lack a minimum income provision for the poor. Two others, Portugal and Spain, have introduced a partial guarantee at the national or regional level (for example, the *Rendimento Minimo Garantido* [RMG] in Portugal, which has a very low threshold, and thus caters only to the extremely poor). At the same time, at the European level the debate has shifted from the minimum income guarantee to that of activation, from welfare to welfare to work.

There are many good, as well as ambivalent, reasons for this shift. One is the concern for growing unemployment and job insecurity, which threatens both public budgets and social cohesion. Another reason is the fear that focusing simply on social assistance may lift responsibility from governments and communities with regard to the long-term unemployed and the poor, thus becoming a form of social exclusion. It might appear at least paradoxical, however, that both at the national and at the EU level there are two parallel discourses going on, without apparently ever crossing: one on the virtues of globalization and of flexibility and the other on the risks of the growing numbers of people who are dislocated and separated from jobs. Finally, there is a growing concern for the so-called phenomenon of welfare dependency, i.e. for the possibly negative effects of long-term social assistance on an individual's capabilities and moral character. As a matter of fact, there is very little, if any, empirical evidence for this fear. In fact, studies that have tried to test it have come up with nothing, or rather have indicated that what appears to be welfare dependency has its roots not in the workings of social assistance itself, but in the 'original characteristics' of the beneficiaries.[5] Those who are less likely to remain in social assistance for a long time (in countries where there are no time limits to receiving it) are in fact those who because of their age, lack of skills, bad health, family responsibilities or gender are less likely to have access to the labour market. Thus, they are likely to be left behind even when labour demand picks up and other welfare recipients, even those with a long history of 'dependency' but with better personal resources, exit social assistance to get a job. For instance, a comparative study on social assistance careers in different cities in six European countries has indicated that there is no relationship between generosity and universality of support and long dependence on social assistance (Saraceno 2002a). On the contrary, in cities like Lisbon, Barcelona and Vitoria, where (as in Italy) only the poorest are selected for social assistance but (unlike in Italy) can receive it as long as their need persists, beneficiaries tend to remain on social assistance much longer than in Helsingborg or Göteborg in Sweden, where higher thresholds select a broader and, on average, less deprived population of beneficiaries and assist them for as long as the need persists. This does not mean that the Portuguese or Spanish social assistance beneficiaries have a weaker moral fibre or are lazier. It means that they have, on average, a more reduced human capital, in addition to living in countries with higher unemployment rates, and therefore with higher levels of competition for jobs.

In any case, this shift from advocacy for a minimum resources guarantee to welfare to work and activation might be used by Mediterranean countries, which have only partly (or not at all) fulfilled the former requirement in two ways. On the one hand, they may introduce some form of minimum income with an activation approach, which in turn may be more or less coactive and more or less rigidly focused on paid work rather than on a broader concept of social integration, as with the French *Revenue Minimum d'Insertion* (RMI). This has been the road taken by Portugal and Spain. The RMG introduced in Portugal in 1998, first experimentally and in the following year systematically, includes both income support and activation measures. The same is true of the Catalan *Renta Mínima de Inserción* and the Basque *Ingreso Mínimo de Inserción* in Spain. In Greece and Italy, the shift in focus may be taken as an excuse not to introduce a minimum income measure for the poor, not even within an activation focus, in the name of avoiding welfare dependency traps. At least in Italy, this part of the European discourse, together with the welfare to work jargon, has been far more popular than the discourse on the minimum resources guarantee during past and (even more so) present governments. So much so that the partial experimentation with a RMI introduced by the previous government encountered much resistance within as well outside it. The present government declared it unsuccessful without any empirical evidence but without much public resistance and debate, indicating that there is a strong cultural and political resistance to such a measure, along with many misgivings, particularly because an RMI would be disproportionately concentrated in the south of Italy: a geographic but also symbolic locus which concentrates all the fears of, and rhetoric on, clientelism, fraud and the cunning exploitation of resources provided by other regions. One might point out that the 'category' approach used in social assistance programmes in all Mediterranean countries, with its fragmentation of measures and hierarchization of the needy, actually encourages fraud or at least cheating, in the absence of universal guarantees. Thus, for instance, in all Mediterranean welfare states the incidence of invalidity pensions paid to people outside the labour market is higher than average, since it is a measure often requested and offered instead of adequate unemployment benefits or universal income support in regions characterized by tight labour markets. This phenomenon is further strengthened by the traditional clientelistic use of welfare state resources by political parties, which has been pointed out as a specific feature of Mediterranean welfare states (see, e.g., Ferrera 1996). Yet even in these contexts, or particularly in these, the welfare dependency hypothesis is far from proven. Although Mediterranean welfare states privilege redistribution in income over goods and services, most benefits are not only fragmented and category based, but also meagre. Thus, they do not really allow people to live off them. Rather, they need to be pieced together with other benefits, transfers from kin, income from jobs in the informal economy and so forth.

The shift from a minimum resources guarantee to activation and welfare to work, therefore, is not based on any evidence of moral hazard on the part of the poor. Rather, as in the case of the conceptual shift from poverty to social exclusion, it treads on the uneasy ground where goodwill and concern for social integration coexist with budget limitations. The growing number of the unemployed, migratory processes and weakening of traditional family solidarities threaten national social assistance budgets, but also the fabric of communities. Activation and welfare to work approaches may be conceived as a way of widening the options for these groups, acknowledging and strengthening their capabilities. But it may also mean that any (even the less skilled and disempowering) job is better than no job, that the jobless are as they are because something is wrong with them, and that what they do with their lives (for example, caring for children or the elderly, doing community work and so forth) is socially meaningless, unless it is forced on them as workfare.

Poverty in Italy: trends and patterns

An overview In the last few years the incidence of poverty has remained fairly stable, using both a relative and an absolute measure (see Table 3.1).[6] In the seven-year period 1997–2003 the incidence of relative poverty among households remained at around 10–12 per cent, and its incidence among individuals at between 12 and 13 per cent, with a slight declining trend which is difficult to interpret, given that, since the introduction of the euro, there has been noticeable inflation. This has increased the monetary value of goods consumed (on the basis of which the poverty line is defined), without necessarily changing the resources available to consumers, particularly the poorest.[7] This is a well-known problem when using a relative poverty approach based on aggregate standard-of-living data, and particularly on consumption data. The incidence of absolute poverty shows the same trend: it has remained at around 4 per cent for households and 5 per cent for individuals in the period 1997–2001 (Table 3.2). As for the intensity of poverty, after a two-year increase it has returned to the values of the first year. The geographical distribution of poverty also did not change. On the contrary, its concentration in the South has remained and even strengthened. In terms of relative poverty, in 2003 over 66 and 69 per cent respectively of poor families and poor individuals lived in the South, although only slightly less than 33 and 36 per cent respectively of all families and all individuals make up the population in those regions. In terms of absolute poverty, the quota of southern families is even higher: 75 per cent in 2001 (77 per cent of individuals). Moreover, the intensity of poverty is higher in the South whether we look at relative or absolute poverty. While in the North the situation has stably, if slightly, improved, in the centre the trend has been less linear. After a marked worsening of the situation between 1998 and 2000 (possibly due partly to the impact of the earthquake that destroyed many small communities and disrupted the local economy in Umbria), since 2001 there have been signs of improvement.

The difficulty experienced by a quota of households in accessing basic consumption goods is confirmed by another survey by ISTAT. In the 2000 Multipurpose Survey on 'Aspects of everyday life', 10 per cent of all families had experienced difficulty in paying for household expenses (for example, rent, mortgage), 19 per cent had experienced difficulties in paying for utilities, 12.6 per cent in meeting school expenses, 10 per cent in paying for medicines and 6 per cent in buying food. The percentages were higher in the South and among larger families.

TABLE 3.1 Relative and absolute poverty of households by regional area, 1997–2003 (%)*

	1997		1998		1999		2000		2001		2002	2003
	Relative	Absolute	Relative	Absolute	Relative	Absolute	Relative	Absolute	Relative	Absolute	Relative	Relative
Incidence												
Italy	12.0	4.6	11.8	4.5	11.9	4.8	12.3	4.3	12.0	4.2	11.0	10.6
North	6.0	1.6	5.7	1.7	5.0	1.4	5.7	1.6	5.0	1.3	5.0	5.3
Centre	6.0	1.8	7.5	2.2	8.8	2.6	9.7	2.7	8.4	2.3	6.7	5.7
South	24.2	10.5	23.1	9.8	23.9	11.0	23.6	9.4	24.3	9.7	22.4	21.3
Intensity												
Italy	21.5	18.6	22.4	20.0	22.9	19.6	22.5	19.3	21.1	19.3	21.4	21.4
North	18.6	17.3	18.9	15.9	19.2	18.5	19.2	15.4	17.5	15.5	19.3	19.1
Centre	18.5	16.5	19.1	16.7	19.5	18.9	20.4	20.1	17.8	15.8	20.0	18.2
South	22.9	19.1	24.2	21.2	24.7	19.8	24.2	19.9	22.9	20.5	22.3	22.8

Note: * Absolute poverty estimated only until 2001

Source: Commisione di Indagine sulla'Esclusione Sociale (2002); ISTAT (2004a).

These data do not include the immigrant population since the sample is based on the resident population. Thus, not only are all irregular immigrants, among whom poverty may possibly be concentrated, not included in the survey by definition, but also legal migrants, given their reduced incidence in the population, had a very small chance of being included in the sample; and in any case, they would not be representative of the entire population. For similar reasons the homeless are also not included. A study undertaken in 2000 based on, among other things, the Shelter and Street Night (s-night) approach estimated that in Italy there were about 17,000 people living on the street (using a very restricted definition of homelessness which excluded all those who live in dilapidated housing or are temporarily hosted by friends, relatives or in communities). The survey found that the homeless were concentrated in the larger towns, were mostly male (89.8 per cent) and relatively young (70 per cent being forty-eight years old or younger). They were mostly single, or else had experienced a marriage breakdown; 53.8 per cent were Italian while 45.6 per cent were foreigners. The latter were on average younger and had a shorter history of being on the street, indicating that this is in many cases a – very hard and risky – phase in a process of upward mobility and integration into Italian society and the labour market. In contrast, for the homeless Italians living on the street is often the last stage of a process of downward mobility and social disintegration or exclusion, often linked to life breakdowns (Commissione di Indagine sull'Esclusione Sociale 2002).

Throughout Italy the incidence of poverty is higher among larger families, i.e. those with five or more members. In 2003, 21 per cent of these families were poor in relative terms. But the risk increases with four members: 12.5 per cent of four-person households were relatively poor in 2003, 4 percentage points more than single-person households, and about 2 per cent more than the average for that year. The lowest incidence is found among childless couples and single-person households, with a clear age distinction (Table 3.2.): the younger childless couples and single-person households suffer the lowest risks of poverty, while older ones show a higher-than-average risk. The most vulnerable group appears to be that of couples with three or more children, followed by elderly couples. I will come back to this in the next section.

Single-person households aged sixty-five and over comprise mostly women, owing to their higher presence among the elderly, but also to their higher vulnerability to poverty in old age compared to men. Older women, in fact, have shown a low labour market participation rate, particularly in the formal economy. Thus, they rarely have a social security contributory record of their own and must rely mainly on a spouse's pension if they are

TABLE 3.2 Incidence of relative poverty by type of family and regional area, 2003 (percentages)

	North	Centre	South	Italy
Single <65	2.4	-	9.3	3.9
Single >65	7.4	4.2	25.7	12.7
Couple, reference person < 65	1.9	-	10.5	3.5
Couple, reference person >65	8.6	14.3	29.9	6.5
Couple, 1 child*	3.4	4.8	15.4	7.2
Couple, 2 children*	5.6	5.8	21.1	12.2
Couple, 3 + children*	11.1	-	28.1	20.9
Single parent	5.9	6.8	22.4	11.4
Other	8.3	9.7	31.6	16.2

Note: * Child/children of any age, including unmarried adults
Source: ISTAT (2004a).

widows. In its absence, they must rely on a means-tested social pension, which is of a lesser value than the minimum social security pension. Thus, older women 'pay' in old age for their exclusive or primary investment in the family and in family care. Younger single-person households, in contrast, comprise mostly men and are not very young. Given the delay in leaving the parental household which characterizes Italian young people, and most youth in southern European countries, these single-person households are likely to involve more mature people, who are often between marriages (separated or divorced), or who are, in any case, already well settled in the labour market.

Old age, therefore, continues to imply a higher-than-average vulnerability to poverty in Italy, although poverty among the elderly has declined substantially since the 1980s (Commissione di Indagine sulla Povertà 1997) owing to the positive impact of the pension system. It has remained fairly stable in the few past years, indicating that there is a stable quota of elderly who have a pension too low to consume an average basket of goods.[8] In Italy, the apparent anomaly – compared to most, but not Mediterranean, countries – that lone-parent (mother) households do not exhibit a substantially higher-than-average incidence of poverty may be explained by a number of factors (Barbagli and Saraceno 1998; ISTAT 2001). First, in Italy almost all these families result from a previous marriage. Thus, they involve mostly adult women, who are well integrated in their kin network and have expectations of receiving some support from non-cohabitant fathers, either through a pension if they are widow, or through child support payments if they are separated or divorced. Second, marital instability is higher in the centre and North, where women's employment rates are also higher, than in the South. Third, marital instability tends to involve dual-worker couples to a much higher degree than male-breadwinner ones. Thus, women and their children, particularly among the younger cohorts, may after a separation find themselves with fewer resources than during marriage, but not without income. Moreover, up to the mid-1990s there tended to be a linear relationship between education (and thus social class) and marital instability. Only in recent years has this relationship started to change, and now in the centre and North marital instability rates are higher among the middle-higher educated than among both the lowest and the highest educated, with an upward trend among the middle and middle-low educated. But in the South the linear relationship between social class and marital instability persists. Finally, marital instability tends to involve not only to a large degree childless couples, but also couples with no more than one child. Thus, single-parent families are on average small and do not have a heavy caring load. This does not mean that lone-parent/lone-mother families do not present specific vulnerabilities, nor that they are not exposed to the risk of poverty. But this risk is not noticeably higher than average, although higher (about 4 percentage points) than that incurred by couples with only one child.

Among the non-elderly adults and their families, poverty is linked first and foremost to the reference person's joblessness. Over a quarter of these households (28 per cent) were poor in 2003 (Table 3.3); in the South this involved over a third of all these families. This much higher incidence of poverty among these households indicates the inadequacy not only of labour market policies but also of income support measures in Italy for those who cannot obtain a job and/or have been out of work for a long time. Most of these jobless people in fact are long-term unemployed, particularly in the South.

If lack of a job is the main cause of poverty, an imbalance between

TABLE 3.3 Incidence of poverty by occupational status of the reference person and geographical division, 2003 (percentages)

	North	Centre	South	Italy
Employee	3.5	3.6	17.5	8.2
Self-employed	3.0	2.9	14.6	6.7
Looking for a job	–	–	36.4	28.0
Retired	7.1	8.0	23.9	12.0

Source: ISTAT (2004a).

income and consumption needs, or between income and the number of consumers, is the additional cause. Most of the poor, in fact, do not live in jobless households, but in households where at least one person is in paid work but does not earn enough. Family size, number of workers and level of earnings, together with the size of the family benefit package, are the crucial issue here.

Poverty in Italy: a family matter? The single group that has seen a rise in the incidence of poverty in the past is households with children under the age of majority (under-age children). This is particularly true for households with at least two under-age children (Table 3.4). Moreover, they are mostly 'intact' families, with both parents present.

In 2000[9] about 17 per cent of all children were poor (relative definition), a higher percentage than that found among adults under sixty-five and analogous to that found among the elderly (16.7 per cent). The trend for the latter group has, however, remained stable, while the poverty rate of children is increasing. Given both the concentration of poverty in the South and the higher incidence of large families in those regions, the distribution of poverty among children is also geographically unbalanced: over 27 per cent of all under-age children are poor in the South, compared with 7.4 per cent in the North and 11.3 per cent in the centre. In the centre and in the North, however, the presence of two or more children increases the risk of poverty. The data on absolute poverty are even more dramatic: while the overall incidence of poverty among households both in 2000 and 2001 was 4.2 per cent, it touched 15.5 per cent for families with three or more children in 2001 (three percentage points more than in 2000).

These data confirm the findings of comparative studies on poverty, which indicate that over 60 per cent of poor households comprise children,

TABLE 3.4 Poverty among families with children, 1997–2000 (percentages)

	1997	1998	1999	2000
Couple, 1 child	9.1	9.5	8.5	9.5
Couple, 1 under-age child	9.6	9.0	8.0	10.0
Couple, 2 children	12.8	13.3	13.5	14.5
Couple, 2 under-age children	14.9	16.5	15.4	15.9
Couple, 3+ children	23.5	23.6	24.4	25.2
Couple, 3+ under-age children	24.4	26.7	26.1	26.0
Lone parent	12.1	11.7	14.2	13.0
Lone parent with under-age children only	13.5	9.6	11.0	11.4

Source: Commissione di Inage ne sull'Esclusione Sociale (2002).

TABLE 3.5 At risk of poverty rate before and after social transfers (variable of reference: income), 1998 and 1999 (percentages)

	Before social transfers (pensions & others) 1998	1999	After pensions 1998	1999	After all social transfers 1998	1999
Geographical area						
North	31.3	31.4	8.5	7.7	6.7	6.4
Centre	36.7	40.8	15.3	16.5	11.8	13.7
South + Isles	54.2	55.1	38.4	38.8	34.7	35.1
Age group						
0–15	27.3	30.8	24.2	27.2	22.2	25.0
16–24	37.1	36.4	28.3	27.5	24.9	24.8
25–49	27.1	28.5	19.1	19.8	16.9	17.8
50–64	46.2	46.1	18.9	18.1	15.8	15.4
65+	79.9	80.9	18.7	16.7	14.5	13.2
Total	40.8	42.0	20.9	20.9	18.0	18.4

Source: Data obtained from ISTAT (European Community Household Panel data, waves 5 and 6 for the years 1998–99).

and that most of the poor children live in 'intact' households.[10] Furthermore, although, of course, parents' joblessness is a strong cause of poverty, having a working parent does not always protect a child from poverty – this is the case in Italy even more than in other European countries, given the lack of child support measures. In Italy, in fact, as in Portugal, Spain and Greece, family transfers have little impact on children's poverty, given their low amount and lack of universality, coupled with bad targeting (Immerval et al. 2001). Table 3.5, based on ECHP data, indicates how in Italy only pensions – among all social transfers – have a substantial containing impact. Thus, children are particularly exposed.

The Italian data also confirm that together with, and even more than, family transfers, child poverty is contained by the presence of a working mother. In fact, the presence of a working mother reduces child poverty by about two-thirds (see Table 3.6). As a matter of fact, we might even suggest that in addition to high fathers' unemployment in some Italian regions, one of the factors in the high rates of child poverty in Italy lies in the still-low, albeit growing, women/mothers' activity rate, coupled with the fact that even currently the presence of children prompts exit from the labour market to a larger degree than in most countries. In the thirty-to-thirty-nine age bracket, the women's activity rate drops by over 35 percentage points in a spectrum going from single, childless women to those married with children. This drop is severest among less-educated women and in the

TABLE 3.6 Incidence of poverty among families with under-age children by family type and parents' working status, 2000 (percentages)

Family type	Spouse absent	Working spouse	Spouse not in the labour force	Italy
Couple, one under-age child	–	5.8	15.7	10.0
Couple, two under-age children	–	8.3	23.0	15.9
Couple, three or more under-age children	–	8.4	35.3	26.0
Lone parent, under-age children only	11.4	–	–	11.4
Lone parent, adult children only	12.7	–	–	12.7
Couple, adult children only	–	5.0	13.6	11.1
Other family types with under-age children	24.1	8.7	25.5	19.4
Other family types with no under-age children	16.3	4.3	20.1	15.7
Total households	10.9	5.7	17.3	12.3

Source: Commissione di Indagine sull'Esclusione Sociale (2002).

TABLE 3.7 At risk of poverty rate in Europe (individuals), 1994–99

	At risk of poverty 1999	At persistent risk of poverty (1998–99)	At long-term persistent risk of poverty (1994–99)
EU (15 countries)	15.5	10.3	3.6
Belgium	13.0	8.5	3.1
Denmark	10.9	7.0	1.5
Germany	10.9	7.1	2.3
Greece	20.5	13.8	5.4
Spain	18.9	11.3	4.4
France	15.2	10.0	3.5
Ireland	18.5	13.2	4.5
Italy	18.0	12.0	4.5
Luxembourg	12.8	9.2	-
Netherlands	10.7	5.6	1.7
Austria	12.0	7.9	-
Portugal	20.5	15.1	7.4
Finland	10.8	6.4	-
Sweden	7.8	*	*
United Kingdom	19.5	13.2	3.8

Note: * No panel data available for Sweden
Source: Elaboration of data from the European Community Household Panel, obtained from ISTAT (2004b).

South, which is precisely where a second income would be most needed. A working mother is also the best protection against poverty in cases of marriage break-up. This explains the counter-intuitive data demonstrating that over the years the most vulnerable group among lone-parent households has become not those including under-age children, but those including adult children. Younger women have both activity and occupation rates that are higher than those of older, more mature women. Thus, the former face the economic consequences of separation and divorce better equipped than the latter, notwithstanding their more demanding caring obligations (see also Barbagli and Saraceno 1998).

ECHP data also indicate that Italian families with under-age children not only have a higher incidence of poverty but are also more likely to remain in poverty longer than other types of households: Italy is one of the six EU-15 countries to have both the highest incidence and the highest persistence of poverty, as shown in Table 3.7. Thus, poverty for children is more likely to be a long-term experience than for adults (Commissione di Indagine sull'Esclusione Sociale 2002).

Poverty of policies and the inadequacy of the policy discourse

The data on the geographic, social and demographic distribution of poverty in Italy may be contrasted with a persistent lack of systematic policies and with the poverty of the national policy discourse. On the basis of the analysis above, the following concluding remarks can be made.

First, in Italy, as in all Mediterranean countries, there is no universal measure acknowledging the cost of children in the form of a child allowance. The *assegno al nucleo familiare* (household allowance), which to some degree acknowledges the cost of under-age children, is doubly means tested: on the basis of both the level and the source of household income. Only low-income households whose income derives mainly (70 per cent) from wages may receive it. Those who are low-income self-employed or long-term unemployed no longer receiving an unemployment indemnity are not eligible. Thus, although means tested, it is not targeted at all the poor. In 1997, also on the basis of the findings of the Poverty Commission, a new means-tested allowance was introduced, targeted at very-low-income households with at least three under-age children. The geographical distribution of this allowance indicates that it is highly redistributive and that its targeting is efficient (Lelleri and Marzano 2002). The low amount (which decreases as the household income reaches the threshold) has only a marginal impact on the incidence of poverty. It is more efficient with regard to the intensity of poverty among these households. It should also be added that the household means test in both types of allowances may have a disincentive effect on women's/mothers' labour force participation, at least in the formal labour market, thus discouraging precisely the kind of behaviour that appears to be the best protection against poverty, for women as well as for children. Another means of acknowledging the cost of children is through tax allowances. These have been raised substantially for dependent children (of all ages) since the second half of the 1990s. The redistributive impact of this measure, however, is at best partial – in so far as it does not affect situations where income is so low that households cannot benefit from it. Only some form of tax credit could compensate for this redistributive failure.

Second, the crucial role played by women's/mothers' labour force participation in protecting against poverty is not adequately taken into account. It is well known that in Italy the women's labour force participation rate, although increasing, is still far from the EU average and the 60 per cent goal set for 2006. Conciliation policies are still undeveloped and much is still expected from women in terms of caring work, both within their household and within the extended kin network, in particular with regard to the frail elderly (Saraceno 2003). Although in recent years the increasing women's labour force participation rate has become (thanks to EU directives and recommendations) an item on the policy agenda, social services for very young children and for the frail elderly are still largely undeveloped. Furthermore, women are disproportionately concentrated in so-called 'atypical job contracts', with lower social protection.

Third, as in all Mediterranean countries, inter-generational and family solidarity is expected, in principle and in practice, on a very large scale. Thus, families have a higher number of dependants on average than in other countries not because of higher fertility rates, but because of longer and more extended dependencies. This may hide a quota of individual poverty (among the young, for instance); and in low-income households may cause economic stress and poverty.

Fourth, there is an almost exclusive focus on poverty among the elderly, the only beneficiaries (together with the disabled) of a kind of minimum income provision: in the form of either a minimum social security pension or of a social pension. Poverty among the elderly is certainly still a problem in Italy, particularly, although not exclusively, among women, given the past work and contributory history of older cohorts. And it is worrying that, after almost two decades of improvements, the incidence of poverty among the elderly has remained stable in the past five years. Yet one might wonder why only the elderly are perceived as the deserving poor in Italy, and no comparable attention, in policies as well as in the public debate, is given to any other group, particularly to children.

As already mentioned, there is no national minimum income provision for the poor. Only local, very diversified schemes exist, mostly in municipalities in the centre and North. In 1998 an experimental Minimum Insertion Income was introduced in a selected number of municipalities, and the experiment was prolonged and extended for another two years in 2001. The aim of this experiment was to test the feasibility of such a measure on a national scale. The introduction of the scheme was also provided for in the new framework law on social assistance approved in December 2000 (Law 328/2000). The pilot scheme was evaluated by an independent institute, which indicated both its efficacy and the implementation problems, which should be solved when the scheme is extended to the national level.[11] These problems concerned mainly three dimensions: a) the (in)efficacy of the means test and controls for fraud, particularly in municipalities with a high concentration of not only poverty but also of an informal, and sometimes even criminal, economy; b) the (in)adequacy of some accompanying measures, particularly with regard to job training and insertion, which also pointed to the need for better coordination and collaboration among the various social actors; and c) the need to train social workers and local administrators to implement active social policies. Among the positive outcomes two are worth mentioning. First, there has been a huge drop in school absences and evasion, which is one of the plights of poor areas, with long-term consequences for children. One of the beneficiaries' duties was in fact the monitoring of their children's school attendance. Beginning as an obligation, as a price to pay in exchange for receiving the support, in many cases this requirement developed into a positive investment in the children's future and capabilities, and even into a demand for adult education (particularly among women). Second, confronted with a scheme that had clear rules and criteria, many beneficiaries developed a sense of dignity, of 'entitlement', which helped them to move from a manipulative attitude to investing in their own capabilities and gaining self-respect. Problems arose when they were ready and willing to get a job, and the job was not there for them. As one of them (a former drug addict who begged and occasionally committed small theft to buy his fix and food for his children) once told me: 'Now I am responsible for myself, my children can respect me. And now I want to do my part. I do not want to live off the RMI any longer. I want to work.'

The government that entered office after the 2001 elections, however, declared that the pilot scheme had failed and ruled out its development as a national measure because of local diversity and the risk of fraud.[12] Furthermore, while giving local governments sole responsibility for developing some kind of 'last resort minimum income' (*reddito minimo di ultima* *istanza*), the government's documents stress that it should be given only to 'the most marginal cases, who present some kind of additional fragility, such as substance dependence, mental illness, and so forth' – i.e., to the 'socially excluded'. The 'merely poor' should be sent into the labour market – as though their lack of work depended only and mainly on their lack of will. In other words, the future goal risks replicating exactly the present situation. There is no citizenship right, but only local discretion. The Second National Action Plan (NAP) against exclusion remains quite vague on this, as on other issues.[13] Generally, notwithstanding the use of the NAP's jargon, it does not identify any clear, quantifiable and testable target, nor any specific resource or measure. And 'activation' seems to be an alternative to, not an integration of, income support.

Concluding remarks

Why has it been, and why is it still, so difficult to put poverty and anti-poverty policies on to the policy and political agenda in Italy? There are at least three distinct and complementary answers. The first concerns, somewhat paradoxically, the highly geographic concentration of poverty in the South. This very concentration has clearly underlined the structural causes of poverty, which must be addressed by economic and labour market policies. Thus, anti-poverty policies have been for many years framed as policies concerning the so-called *Questione meridionale* – the Southern Question. This is not the place to reconstruct the somewhat contradictory history of this question and of the policies that have been developed to address it in the post-war years, of their successes, failures and often perverse outcomes.[14] Among the perverse outcomes mention must be made in this context of the improper, and often also clientelistic, use of social security measures and of welfare to work instruments to offer income support in contexts where jobs were scarce and no general social assistance measure was available. Invalidity pensions, fake jobs in agriculture and various forms of indemnity have long been provided in exchange for social order and votes without really changing the conditions of economic development, and actually to some degree worsening local social capital resources (see, e.g., Ferrera 1996). This misuse of policy measures, and the perverse intertwining of dependency without rights and clientelism that it has created, have paved the way for a radical mistrust and easy criticism of any general income support measure for the poor in the 1990s, when the economic and political climate required a revision of the national budget and of existing policies. Any income support measure for the poor would disproportionately affect the South, and thus would be exploited by the 'cheats'. Being poor and receiving a benefit have become easily equated with being a potential 'cheater' of the system. And this constitutes the second reason, which can become a very good one, in political terms, when there are budget constraints. The third reason concerns the over-familization of the Italian welfare regime: its strong reliance on family solidarity and redistributive capability and (even legal) duty. It is indubitable that family solidarity plays a crucial role in reducing the potentially disruptive impact of poverty in Italy. Yet this occurs at the cost of a low degree of individualization of rights, less autonomy among the young (and women of all ages) and one of the highest degrees of inter-generational transmission of inequality and poverty in Europe. It also occurs at the cost of a low capability to create and reproduce social capital at the community level. This is not an issue of 'amoral familism'. Rather, families, particularly poor families, cannot be left alone to face the responsibility of developing and reproducing the conditions of trust necessary for economic and human development.

The experiment of the RMI, with all its limitations, specifically had this aim: to shift part of the responsibility for the conditions of those in poverty from the individual and the family alone to the local and national community. It was meant to be a social assumption of responsibility in order to enhance an individual assumption of responsibility. It was not only a necessary offer of income support; it was a change in rules and relationships in the practice of support itself: no longer would it be a case of fake wages for fake jobs or favours in exchange for political alliances, but of clear rules, explicit pacts and transparent 'contracts'. It was first and foremost an attempt at civilizing (literally) social assistance, transforming beneficiaries from clients into responsible citizens.

Of course, a minimum income provision is no panacea. From what I have said above, it should be clear that the inter-generational reproduction of poverty – which is the most negative aspect of poverty in Italy – may be addressed only through a threefold process: local development (with a consequent increase in both occupation rates and services); support for the cost of children; and support for women's labour force participation. Across these three processes a degree of defamilization and a reduction in inter-generational dependencies should also be encouraged through an increase in the number of workers per household, and also through a stronger individualization of social rights. But having said this, there is still a role to be played by a nationally regulated, and at least partly nationally funded, minimum income provision, integrated by activation measures in order to support those who cannot easily and promptly find a job, to prevent the progressive deterioration of skills and capabilities, to prevent the inter-generational reproduction of poverty, and to strengthen citizenship rather than clientelism and charity.

Notes

1 I have developed this more extensively in Saraceno (2002b). See also Daly and Saraceno (2002).

2 See the important work by Atkinson et al. (2002).

3 I use the term welfare regimes and not welfare state on purpose, since the former implies the existence of a plurality of actors, and different balances among them, through which individual and household welfare and protection may be achieved. I believe that this focus on interrelationships and the changing balance between different actors and agencies is the main contribution of Esping Andersen's seminal work (1990, 1999).

4 See, for instance, Atkinson (1998) and Commissione di Indagine sull'Esclusione Sociale (2002).

5 See, for instance, Walker and Shaw (1998); Saraceno (2002b).

6 Since 1983 the estimate of the incidence of poverty in Italy has been based on the annual household consumption survey which has a sample representative down to the macro-regional level (North-West, North-East, Centre, South and Isles). According to the relative definition, a family of two is poor when it has an equivalized consumption equal to or lower than the average per capita consumption for that year. In 1995 an 'absolute' definition was also introduced, based on the consumption of a basket of goods. In 2002 the estimate of absolute poverty was suspended, in view of a revision of the basket of goods and consumption on which it was based. The data I will present here are taken from Commissione di Indagine sull'Esclusione Sociale (2002) and ISTAT (2004a, 2004b). The commission's report also contains a discussion of results that could be arrived at using different kinds of measures, including different equivalence scales, and income rather than consumption.

7 See also ISTAT (2004b). Furthermore, since the estimates on the diffusion of poverty in Italy are based on survey data (which therefore may present sample mistakes and confidence intervals which must be taken into account), small differences between two or more years may not be taken as an indicator of actual increases or decreases. See ISTAT (2004b).

8 Basing estimates on consumption, rather than on income, tends to overestimate poverty among the elderly and underestimate poverty among younger families with children, since the former may under-consume not because of lack of income but because of lifestyle choices. For instance, a comparison performed by the Poverty Commission on income rather than consumption data indicated that in 1998 15.8 per cent of families with the reference person aged sixty-five or over were poor on the basis of consumption data, but only 10.5 per cent on the basis of income data. In contrast, 17.8 and 19.0 per cent respectively of households with the reference person up to thirty-four and between thirty-five and forty-four years of age were poor according to income data, but only 10.9 and 10.6 per cent on the basis of consumption. See Commissione di Indagine sull'Esclusione Sociale (2002: 122–7).

9 Unfortunately no such age breakdown is available in published data for the following years.

10 See for instance Immerval et al. (2001) and Micklewright and Stewart (2000).

11 For a synthesis of the evaluation report, which was never made public or debated in Parliament, see Commissione di Indagine sull'Esclusione Sociale (2002: ch. 2).

12 See Ministero del Lavoro e delle Politiche Sociali (2003a, 2003b).

13 In the Financial Law for 2005 under discussion at the time of writing this chapter, no mention is made of this measure and no appropriation of funds is indicated. Throughout 2004, no implementation of the measure occurred, owing to the fact that the criteria on the basis of which regions might access co-financing have never been prepared or approved. Thus, it is fair to say that even a vague measure such as the *Reddito di ultima istanza* has disappeared from the national policy agenda.

14 See, for instance, Trigilia (1992).

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4 | Poverty and anti-poverty policies in Portugal: the experience of the Guaranteed Minimum Income

JOSÉ PEREIRINHA

The recent creation of the Guaranteed Minimum Income (GMI) in Portugal (in 1996) has entailed a shift in social policy orientation more directly towards the aims of reducing poverty, developing a more inclusive society and recognizing a new set of social rights. The defining characteristic of the GMI – aiming for *social integration* – also corresponds to a distinctive view of poverty as a social policy focus. It involves an income transfer to those recognized as 'poor' (to guarantee a minimum income as determined by policy-makers), as well as a set of activation measures intended to aid the integration of beneficiaries into social and economic life, particularly through facilitating access to one of the most relevant of economic institutions – the labour market. As such, the GMI corresponds to a view of poverty that combines two different (though not incompatible) concepts: that of monetary poverty (related to the scarcity of economic resources) and the broader concept of social exclusion, which mostly addresses a multi-dimensional range of rights (economic, cultural, civil and social) that go beyond those expressed in monetary terms.

Poverty has been a serious problem for a long time in Portuguese society, although not recognized as such until the 1990s. In 1980 a little over a third of Portuguese households were living in conditions of absolute poverty, while at the dawn of the new millennium about one-fifth of the population was poor in relative terms (according to Eurostat criteria). After briefly reviewing poverty research and the changes that have occurred in the social policy content, orientation and context in Portugal during the 1990s through to the turn of the century, we embark on an analysis of the adequacy of the GMI scheme as a social policy instrument whose aim is the reduction of poverty and social disadvantages among the Portuguese population in the sense described above.

Poverty and social exclusion: the policy relevance of both concepts

Poverty and social exclusion are two different concepts, with distinct scientific origins. Since the late 1980s, however, there has been an increased tendency to use the terms jointly, either in political discourse or in scientific analyses, to describe and characterize social disadvantages in European countries. Social exclusion became a central concern in European social policy and a reference concept for the analysis of social problems. More recently, this focus was evident in the Lisbon Summit (March 2000), where emphasis was placed on the role of social policy, in coordination with employment and economic policies, in combating poverty and social exclusion. At the scientific level, progress was made on social indicators, following the Laeken Summit of December 2001, with the development of indicators for measuring poverty and social exclusion on a broader scale in accordance with the multi-dimensionality of the phenomenon (Atkinson et al. 2002) – thus seeking to fill a long-standing scientific gap.

The relevance of such progress for Portugal is evident in recent analyses. For a long time, poverty and social exclusion were concepts absent in Portuguese political discourse. The great extent of poverty in Portugal, its structural character and historically rooted causes sharply contrast with the lack of its political recognition as a social problem until the mid-1980s. Until then, the theme of poverty was evident only rarely in political debates and was even scarcer in scientific research.

It was only after Portugal joined the EEC in 1986 that the discussion of such social problems entered political discourse. Portugal participated in the Third European Poverty Programme (1989–94), which produced, with the support of the national budget, a National Programme to Fight Poverty with over two hundred projects throughout the country. The discourse of social policy was reshaped and came to include the issues of poverty and social exclusion, which became a topic of open debate and gave rise to more intensive scientific research (Silva 1999; Silva and Rasgado 1999). During the 1990s concern over poverty and social exclusion greatly increased in respect of several dimensions of Portuguese society. This change is strongly manifest both in the context and content of the debate on social problems, as well as in policy orientation (in social assessments, policy formulation and policy evaluation).

We can summarize under five topics the major changes in the content and orientation of the debate on poverty in Portugal:

1 the higher relevance of the non-monetary dimensions of disadvantage and the multi-dimensional scope of such disadvantage;
2 the relational aspect of such disadvantage, namely the role that local community, neighbourhood and family relations play in such dimensions;

3. the dynamic approach to poverty, focusing on the process rather than on the static nature of poverty;
4. the role of the rights of citizenship as a guiding principle of social action, and the recognition of the role of institutions to guarantee the exercise of such rights (as the workings of social institutions may also be the origin of constraints to effective social citizenship);
5. the evidence of several levels (social, political, territorial) of factors that impact on the explanation of poverty and social exclusion, the recognition/identification of such problems and the policy action available (supranational, national, regional, local, community, family and individual levels).

This new orientation of poverty analyses and of anti-poverty policies is intended to focus on a broader concept of social disadvantage, which is commonly referred to as 'social exclusion' (a debatable concept that is still being constructed by social scientists), either in its static approach (*situations* of social exclusion) or in its dynamic dimensions (*processes* of social exclusion).

Beyond such change of content, the 1990s were also characterized by a change in the context of the debate on poverty and social exclusion in Portugal. The topics of poverty and social exclusion gained a scientific reputation as a subject of analysis. And much of the research in this period was undertaken in close relation with the process of developing and evaluating social policies, with the participation of government bodies, or in response to the needs of the policy-makers. The topic also gained an international dimension, with the creation of European networks for research and comparison of policy experiences. Poverty and social exclusion became a European issue, and much of the research and political debate incorporated this dimension, combining it with national (and also regional and local) specificities on the causes, profiles and characteristics of the welfare states.

The change of *social policy orientation* in Portugal since the early 1990s also became evident in some relevant aspects. One has been the territorial dimension of social policy-making, by deepening welfare-mix solutions involving public and private social actors and NGOs, experimenting with innovative forms of partnerships and policy coordination, and involving the targeted population in active participation in social programmes. Another relevant aspect was the design and implementation, at the national level, of new forms of policy coordination addressed to specific population groups and social problems, also involving the coordinated participation of a broad set of social actors in their design and implementation. Moreover, social exclusion was specified as a guiding principle of social policy analysis that focused on the social rights of citizenship, and was geared towards identifying the factors that facilitate and constrain the exercise of such rights as they are defined by universal or by categorical (i.e. centred on groups or problems) policies. This is, to a great extent, in line with the orientation of the Observatory of Social Exclusion (Room 1992), which follows an operational concept of social exclusion as a situation in which the exercise of social citizenship is denied to some members of the population.

The general elections in 1995 brought to power the Socialist Party, and this left-wing change in Portuguese politics has also entailed additional changes in the orientation of social policy. The socialist government launched a new generation of active social policies, which were aimed at the activation of individuals (citizens) and institutions. This new set of social policies was subject to policy coordination and based on several principles (DEPP/MTS 2002): the relevant role of public policies; the participation, with shared responsibilities, of the social actors; a renewed concept of citizenship based upon an effective working of social institutions; the universal character of social rights; the local/territorial dimension of social policies; and the multi-dimensionality of such social policies and their effective coordination. Some social programmes launched in this period, and the continuation of existing ones, reflect this reorientation of social policies, either those addressed to social groups (children, the elderly, drug addicts, people with disabilities, the employed and unemployed) or programmes aiming to support families and community development (National Programme against Poverty, Social Network, INTEGRAR, PER and Urban Rehabilitation).

But the most relevant policy measure adopted by this government, and the most important constitutive part of this new generation of social polices, was the creation, in 1996, of the Guaranteed Minimum Income (*Rendimento Mínimo Garantido*). This policy measure follows the principles agreed on 24 June 1992, under the Portuguese presidency of the European Union (EU), in the Council Recommendation on common criteria concerning sufficient resources and social assistance in social protection systems (92/441/EEC).

The creation of the GMI, following the social integration orientation, strongly manifests the prevalence of *both* concepts (poverty and social exclusion) in social policy analysis. It means, on the one hand, that incomes below a given threshold are not politically acceptable (the poverty-oriented component) and, on the other hand, that the right to receive the social benefit should be accompanied by the right to social integration (the social-exclusion-oriented component).

Nevertheless, the relevance of poverty (meaning the lack of enough resources to meet minimum – socially defined – needs) should be stressed. Poverty in Portugal is, to a great extent, a problem of insufficient resources associated with age (low social security pensions) and education (low skills, low wages and weak mobility), which reflect the effect of structural factors and the imbalances of the Portuguese economy.

There is ample evidence of the need to use the concept of income poverty when looking at poverty characteristics in Portugal. The Ministry of Labour conducted a special household survey in 1995, aimed at understanding the major characteristics of poverty on a regional basis. This research permits us to highlight the main explanatory factors of poverty, taking into account the subjective evaluation made by a sample of interviewed households (Table 4.1). The main reasons for poverty are to be found in low wages (and not unemployment, which is not high in Portugal) and low social security transfers. That is, poverty in Portugal is linked to structural factors, which are persistent over time, are likely to be transferred to further generations and can be reduced in a consistent way only through policy measures with effective long-term results.

TABLE 4.1 Factors associated with poverty, given by interviewed families in 1995 (percentages)

		First 'most relevant' explanatory factor			
	Poverty rate	Low wages	Unemployment	Low pensions	Other reasons
North	16.3	31.9	10.8	38.6	18.7
Centre	20.8	20.2	7.3	60.4	12.1
Lisboa & Tagus Valley	20.0	14.9	10.1	63.5	11.5
Alentejo	25.1	9.4	6.5	71.2	12.9
Algarve	16.6	12.3	12.3	64.4	10.8

Source: MQE/DE 1995.

A survey that we conducted in April 1997 with a sample of 300 social actors (NGOs, municipalities, public services) for three Portuguese regions identified the following as major factors of poverty: having been born and raised in a poor environment; the lack of job opportunities; and the existence of precarious job relations (Pereirinha et al. 1999). It is relevant that the factors considered by these social actors as responsible for the worsening of poverty are to be found in the crisis of agriculture and small commerce, the reduction of labour opportunities, the delay in making wage payments, and immigration. Among the factors that these social actors thought were responsible for some social improvement (i.e. a reduction in poverty) are the construction of social infrastructure, anti-poverty projects and the creation of the GMI (ibid.: 222).

It is true that social disadvantages in Portugal are related largely to insufficient (predominantly monetary) assets in order to meet socially defined minimal needs, and may be captured (though indirectly) by a concept of poverty using some acceptable income poverty threshold. But such disadvantages cannot be assessed only in static terms and without any reference to other dimensions, namely those of a non-monetary and relational character. It is very important to examine to what extent the present forms of deprivation are related to insufficient monetary income or may have other factors behind them, namely poorly functioning welfare state institutions that can barely ensure basic social rights and/or great inequalities of access to social networks with negative effects on social and labour market integration for a number of social groups. The role of welfare state institutions in respect of basic social rights is particularly relevant, given the late development of the Portuguese welfare state and the financial constraints that it faces. Equally illuminating is the strength/weakness of family/kin and community ties in a society where such relationships have persistently played a crucial role in social welfare provision. In this respect, social exclusion appears to be an appropriate concept with which to assess social disadvantages in Portugal, either to assess the extent to which social citizenship has been realized (a static approach, focused on situations of social exclusion), or to stress the dynamic forces that may be causing less participation (or no participation) in economic and social life (a dynamic approach, oriented towards the processes of social exclusion). This is of great relevance in Portugal, given the coexistence of forms of traditional poverty with those originating in new mechanisms of poverty generation, namely those related to the labour market.

As in the other southern European countries, in Portugal the reduction of poverty is, to a large extent, a matter of improvement of the guarantee of social rights through the state provision of welfare benefits and services. Inspired by the concept of citizenship, the concept of social exclusion, in the above sense – i.e. the *Anglo-Saxon-based* concept of social exclusion, following Marshall's concept of citizenship (Marshall 1950) – offers an appropriate perspective for the analysis of anti-poverty policies. In this case, we are referring to social rights that commit society to the redistribution of resources. But the relevance of social exclusion as a concept for social policy analysis is also to be found in those dimensions that involve the participation of the individual in society, an improvement in the sense of membership to society, and active citizenship – i.e. the *French-sociological-based* concept of social exclusion, following Castel's concept of disaffiliation, or Paugam's concept of *disqualification*. This means that we are considering a new generation of social rights, a new type – that of social integration (Fitoussi and Rosanvallon 1996). Beyond the concept of monetary poverty, both concepts of social exclusion are thus relevant for the analysis of social disadvantages in Portugal, either for understanding their features and causes or to elucidate the areas and instruments of policy that should address them.

The Portuguese Guaranteed Minimum Income, as created in 1996, follows a policy orientation that corresponds to a mix of three distinct (but complementary) objectives, in accordance with the three components of poverty analysis (income poverty, social exclusion in the sense of social rights, and social exclusion in the sense of integration rights). Indeed, according to official documents GMI aims at: (i) the recognition of the right to a minimum subsistence income for those who do not have resources, irrespective of having or not having paid contributions to the social security system; (ii) making this right conditional on the effort of social insertion, with the state being engaged in the design of programmes for individual or family insertion, of a social and/or professional character; and (iii) the requirement of adequate structures for the implementation of such insertion programmes, with adequate forms of partnership among social actors (IDS/MST 2002).

The creation of the Portuguese GMI is, then, a social policy decision that corresponds to a new orientation of social policy in Portugal since 1995 and addresses a broad concept of poverty.[1] To look at the adequacy of this policy measure in relation to the social reality of poverty in Portugal requires the use of adequate concepts, and those of poverty and social exclusion should (both) be used for this purpose.

The issue of measurement: poverty, deprivation, exclusion

The first quantitative research on the measurement of poverty in Portugal was conducted by academic researchers and dates back to the mid-1980s. Since then, some relevant research has been produced on the character of poverty (extent, profile/typology and evolution), explanatory factors and the evaluation of policies.[2] Since these early studies the measurement of poverty has followed different methodologies that represent, for the whole published research, a broad set of approaches, following the distinct scientific orientations of the researchers and the use of distinct statistical data.

The first in-depth study of poverty in Portugal, published in 1985, was conducted using an indirect method based on the one-dimensional criterion of income/expenditure and followed an absolute method of measurement (Costa et al. 1985).[3] The measurement and characterization of poverty drew upon the Household Budget Survey 1980/81, the first rigorous and complete income and expenditure household survey in Portugal undertaken by the National Institute of Statistics. This survey was complemented by another specific household survey (which was qualitative), carried out by the research team of this project. Given the exploratory nature of the research (indeed, it was the first attempt to publish data on Portuguese poverty that could be discussed publicly), the method of poverty measurement was carefully designed and its normative content described clearly, in order that it could be discussed at both academic and political levels. The study used the Orshansky methodology, which is based on a rigorous estimate of the cost of an adequate food intake (according to Portuguese nutritional norms) and the observed Engel coefficients of the Portuguese population. The study revealed that, according to these criteria, 35 per cent of Portuguese households were poor in 1980, six years after the Portuguese revolution. This figure generated some political reaction during a debate on poverty in parliament.

After the publication of this study, some further academic research was conducted (e.g. Ph.D. dissertations) using information provided by Household Budget Surveys (1980/81, 1989/90, 1994/95, 2000) (Pereirinha 1988; Costa 1992; Ferreira 2000). The absolute approach of measurement was not followed up, as all subsequent research on income poverty was conducted by the relative measurement approach and in accordance with the standard criteria set by Eurostat (i.e. as a given percentage of median adult-equivalent income). But the poverty lines, as constructed in the 1985 study, and their annual updates, are still used in some studies as reference points for social policy analysis.

Table 4.2 provides some information on the annually updated poverty lines (using consumer price indices) as they were estimated in 1985 and compares them with some minimum incomes as fixed just before the creation (in 1996) of the GMI. It is of great relevance for social policy formulation and evaluation to have absolute poverty lines, and for them to be widely discussed in society and generally accepted as a reference point for discussing social minimum benefits. In Portugal, where such practices do not exist, this is not the case.[4] Therefore, Table 4.2 is merely indicative of the gap, relative to an absolute poverty line as estimated by the authors, unfilled by the policy decision on minimum incomes. This comparison is important for the GMI. The income threshold (set as a minimum income to be eligible for access to the measure) is equal to the social pension (i.e. the minimum means-tested benefit for people who did not make any contribution to the social security system). Looking at Table 4.2 we conclude that this income threshold was equivalent to 55 per cent of our estimated absolute poverty line in rural areas and 41 per cent of the absolute poverty line in urban areas, in the mid-1990s.[5] This is an important result for the assessment of the impact of the Portuguese GMI on poverty reduction.

TABLE 4.2 Absolute poverty lines and minimum incomes prior to GMI (euros per month)

	1992	1993	1994	1995
Absolute poverty line (urban)*	189	195	204	212
Absolute poverty line (rural)*	141	145	152	158
Minimum pension (general regime)	114	123	131	138
Minimum pension (rural)	81	88	93	98
Social pension	73	78	83	87
Average pension (general regime)	160	183	196	210

* Update of the value estimated, for 1980, in Costa et al. (1985) using the consumer price index
Source: Pereirinha et al. 1999.

More recently, another measurement method has been to take the multi-dimensionality of poverty in terms of welfare indicators as they are obtained from the European Community Household Panel (ECHP). This kind of orientation of poverty studies (in the sense of deprivation) is still in its very early stages in Portugal, and much of what is known about Portugal comes from the results of comparative research in EU countries. But this is a very important approach and, for our purpose, it is convenient to analyse to what extent monetary poverty and deprivation are related. Any anti-poverty policy that is targeted at the poor population identified through monetary income may not be adequately focused if the relation between deprivation and monetary poverty is weak.

With this objective in mind, we investigated such a relation (Pereirinha et al. 1999). For this purpose, a set of thirty indicators of deprivation was constructed from the ECHP, in distinct domains that include either material deprivation (housing conditions, ownership of durable goods, basic needs, financial constraints) or social (relational) deprivation (housing environment and social relations). The method consisted of obtaining an aggregate index of deprivation like that proposed by Townsend (1979):

$$D_j = \frac{1}{I}\sum_{i=1}^{I} d_{ij}$$

where $I = 30$ and, for the household j, $d_{ij} = 1$ if that household is deprived (does not have a '*good*' or has a '*bad*' level) of item i and $d_{ij} = 0$ if that household is not deprived of that item (has a '*good*' or does not have a '*bad*' level). Therefore, for each household j, we have an indicator of aggregate deprivation $0 \leq D_j \leq 1$.

An analysis was conducted of the relation of deprivation to household income. The method consisted of classifying the households as poor using two criteria: *monetary poverty* (MP) according to an income threshold defined as a poverty line, and *aggregate deprivation* (AD) using as criterion the ranking position of the households according to the aggregate index of deprivation Dj. For the poverty line, the value of 50 per cent of the average adult-equivalent household income was estimated, as obtained by computing total household income for the ECHP household sample (using the OECD scale of equivalence). For the analysis of deprivation, the households were ranked by the value of the above aggregate index of deprivation and the threshold of 0.4[6] was used to identify the most deprived households (with a value of deprivation above that figure). We then have two categories – poor/non-poor – according to two criteria (monetary poverty and deprivation), which can be compared. This was done for the total sample and for several household groups. Table 4.3 presents the result for the households classified by type of family.

The method used produces the same poverty rate (about 28 per cent of total households) for both the criteria of monetary poverty (MP) and aggregate deprivation (AD). Looking at the various types of families, these figures demonstrate the higher incidence of poverty (in the strict sense of monetary poverty *and* deprivation) for the elderly (single elderly or elderly couples living alone) and large households. But two distinct groups of poor households are produced. Only about one-half of such groups (14.7 per cent of total households) are poor according to both criteria, and the same form of non-coincidence occurs for all the household groups for the various types of family.

Several factors may explain such discrepancies between monetary poverty and aggregate deprivation. On the one hand, some monetary-poor households may benefit from non-monetary transfers, family support or resources from own-account economic activities not adequately accounted for in the recorded income. On the other hand, some households with income above the poverty line can face income insecurity, health problems or special family needs, locating such households at a higher deprivation level.

Although both criteria produce the same ranking of household groups, we are indeed looking at a result with important implications for social policy, since the identification of poor households according to income

TABLE 4.3 Poor households identified according to the criterion of monetary poverty (MP) and/or aggregate deprivation (AD) in 1994 (percentages)

Type of families	House-holds	Not poor (MP) *and* not deprived (AD)	Poor (MP)	Deprived (AD)	Poor (MP) *and* deprived (AD)	Poor (MP) that are deprived (AD)	Deprived (AD) that are poor (MP)
Single < 65 years old	5.5	54.5	29.5	35.2	19.0	64.6	54.3
Single above 65	10.1	31.2	54.3	45.9	31.6	58.3	68.6
Single-parent households	6.3	51.5	31.8	35.4	18.9	59.2	53.2
Couple no children, both < 65	9.8	66.8	18.2	21.3	6.6	36.0	30.4
Couple no children, one > 65	12.1	45.1	43.9	32.0	21.2	48.2	66.0
Couple 1 child	9.1	75.6	11.5	18.5	5.4	47.1	29.6
Couple 2 children	9.2	73.7	19.0	14.7	7.4	38.8	50.0
Couple 3 and more children	3.7	39.8	48.6	40.9	29.3	60.2	71.6
Couple at least 1 child > 16	20.9	65.9	21.3	22.3	9.6	45.2	43.0
Other types of families	13.2	57.6	27.1	28.7	13.5	49.7	47.0
TOTAL (N = 4,881)	100	58.0	28.8	27.8	14.7	50.9	52.8

Source: Data obtained from the European Community Household Panel survey (Portugal, 1st wave, 1994).

may not be an accurate identification criterion for targeting social policy programmes to combat poverty. This result can be highly relevant for policy measures like the GMI or any other means-tested social transfers.

Poverty in Portugal: trends and the European context

To account for poverty in Portugal, either to estimate its trend in the last decade or to compare it with the other European countries, we may use a monetary-poverty (indirect) relative approach and two different statistical sources. The Portuguese Households Budget Surveys (HBS) 1989/90, 1994/95 and 2000 are the most adequate statistical sources to measure monetary poverty, given the more complete content of these sources for the computation of household income and expenditure. But for comparison with other European countries, a strict comparative basis is required, and for this purpose the most adequate source is the European Community Household Panel (ECHP) survey from Eurostat.

Table 4.4 provides information on inequality and poverty in 1999, on a comparative basis (using ECHP) for all EU-15 countries, grouped according to distinct welfare-state *regimes*, and contains a set of indicators that were agreed in Laeken.

Portugal has the highest level of income inequality as measured by the Gini coefficient, which is very close to the other southern European countries and shares with these countries the highest at-risk poverty rate, i.e. the proportion of persons with income below 60 per cent national median income (which is the generally accepted measure of relative poverty). It should be noted that Portugal does not have the highest poverty rate of income *before* social transfers (where it is close to the other European countries): this means that social protection in Portugal has a modest positive impact on poverty and a modest redistributive impact even in the context of other southern European countries.

The dynamics of poverty are well captured by using the persistent risk-of-poverty rate, meaning the share of persons with an income below the 60 per cent median income in the current year and in at least two of the preceding three years. The high persistence of poverty is a characteristic of all southern European countries including Portugal, which has the highest figure. Two other indicators locate the southern European countries at the bottom of the ranking as far as the extent of poverty is concerned (and Portugal is part of this group): i) the at-risk poverty rate anchored at 1996 (the share of the population whose income was below the poverty threshold in 1996, updated in terms of the inflation rate to 1999); and ii) the relative median at-risk-of-poverty gap (the relative poverty gap in relation to the 60 per cent median national income).

TABLE 4.4 Indicators of poverty in Europe in 1999

	At-risk poverty rate (%)		Gini coefficient (based on income)	Persistent risk of poverty rate (%)	At-risk poverty rate anchored at 1996 (%)	Relative median at-risk-of-poverty gap (%)
	Before social transfers	After social transfers				
Denmark	34	11	0.23	5	9	18
Finland	33	11	0.25	5	8	16
Sweden	43	9	0.23	*	*	19
UK	42	19	0.32	11	17	22
Ireland	37	18	0.32	12	10	21
Belgium	40	13	0.29	8	12	18
Germany	40	11	0.25	6	10	20
Netherlands	35	11	0.26	5	8	19
Austria	39	12	0.26	7	13	18
France	41	15	0.29	9	14	18
Luxembourg	41	13	0.27	8	11	15
Italy	41	18	0.30	11	16	27
Greece	38	21	0.34	13	18	28
Spain	39	19	0.33	11	15	27
Portugal	39	21	0.36	14	16	23

* No data available for Sweden
Source: Dennis and Guio (2003).

The data from the Portuguese HBS confirm the high values for the indicators of inequality and poverty (Table 4.5), and show a trend of rising inequality and relative poverty during the 1990s. But the income variation had different impacts on inequality and poverty in the first and in the second half of the decade, as is confirmed by the evolution of other income indicators (inequality of wages and data on social security pensions).

TABLE 4.5 Income inequality and monetary poverty in Portugal (1990s)

	1989	1995	2000
Income inequality: adult-equivalent disposable income			
Gini	0.3169	0.3473	0.3481
Atkinson ($\varepsilon = 0.5$)	0.0819	0.0981	0.0984
Atkinson ($\varepsilon = 1.0$)	0.1549	0.1816	0.1812
Atkinson ($\varepsilon = 2.0$)	0.2886	0.3205	0.3140
Monetary poverty: poverty line = 60% median income			
Poverty rate (F_0)	0.1763	0.1829	0.1910
Poverty gap (F_1)	0.0432	0.0465	0.0470
Poverty severity (F_2)	0.0163	0.0176	0.0170

Source: Rodrigues 2002.

Table 4.5 shows that there was a significant rise in household income inequality in the first half of the decade (1989–95). This trend negatively affects the poorest households, which is evident from the large increase in the Atkinson index for a high value in the inequality aversion parameter (ε). This results in the rise of poverty with respect to the poverty incidence/headcount (statistics F_0 of the Foster and Thorbecke index), the intensity (statistics F_1) and severity (statistics F_2)

Household incomes evolved differently in the second half of the decade:[7] inequality remained almost constant in this five-year period, and even improved in the lower sector of income distribution (the poor population) looking at the Atkinson index with a high value in the inequality aversion parameter. Poverty incidence (headcount) rises, but the poverty gap (intensity) remains quite stable, and poverty severity even diminishes. This trend is consistent with the evolution of other incomes in this period (reduction in wage inequality and a rise in the relative position of minimum income social security transfers). Some of the impact may also derive from the creation of the GMI, as demonstrated below.

The Portuguese Guaranteed Minimum Income

The Portuguese GMI was created by Act no. 19-A/96, 29 June, as 'a benefit of the Social Security non-contributory scheme and a social integration programme, in order to ensure to people and their households resources which contribute to satisfying their basic needs and promoting gradual social and professional integration' (Art. 1). After a one-year pilot scheme the GMI came into force in July 1997.[8]

The main features of the GMI may be summarized as follows:

- it is defined as a clear right, not dependent on any discretionary decisions about entitlement; everyone has a legal right to claim it, with little room for negotiation with social workers;
- beneficiaries must be eighteen or over (in exceptional cases beneficiaries may be younger), resident in Portugal, and have an income below a threshold indexed to the amount paid by the social pension (non-contributory social security scheme) and varying according to the composition of the household;
- the measure corresponds to a broad concept of poverty, including a cash benefit (of variable amounts and awarded on a temporary basis) and an integration programme (intended to create the conditions required for the gradual social integration of beneficiaries and their households, and to help them gain social and economic autonomy);
- it is financed by the national budget (as a new scheme of the non-contributory social security system), monitored and administered by institutions at the national level (National Commission of Minimum Income), the regional level (Regional Social Security Centres) and the local level (Adjunct Local Commissions);
- the design and implementation of the social integration programmes involve a broad spectrum of social actors at the local level (public institutions, local authorities, social solidarity private institutions, employers, etc.) that participate in forms of partnership under the coordination of the Adjunct Local Commissions.

The seven-year implementation period of the GMI provides us with enough information to initiate an in-depth evaluation of the measure. It is not our purpose here to undertake such an analysis, however, but rather to look at some quantitative results of its implementation in order to assess, in general terms, its adequacy for achieving poverty reduction.

To provide a general overview of the measure,[9] from 1 July 1996 to 31 December 2001 there were a total of 458,375 applications for the benefit, of which 431,496 (i.e. 94 per cent) were evaluated by the services. This total was composed as follows: 121,456 (28 per cent) were approved and still active by the end of 2001; 171,832 (40 per cent) were rejected; and 138,208 (32 per cent) were originally approved but subsequently discontinued. It should also be noted that the main reason for rejecting an application was that the reported income was above the minimum threshold (in 80 per cent of all cases). Table 4.6 provides the total number of entitled (families) and beneficiaries by region.

TABLE 4.6 Number of beneficiaries* of the GMI in December 2001, by region

	Number of families (entitled*)	Number of beneficiaries*	Number of beneficiaries/ resident population (%)
North	47,547	135,827	4.2
Centre	24,616	69,381	2.9
Lisbon and Tagus Valley	28,084	79,883	2.4
Alentejo	5,781	18,244	4.0
Algarve	5,163	16,296	4.1
Azores	6,206	22,928	9.5
Madeira	4,059	11,699	4.8
Total	121,456	354,258	3.4

* The *entitled* (or recipients) are defined as those persons who apply for the benefit and receive it. *Beneficiaries* include the entitled and their respective household members

Source: IDS/MST 2002.

For a preliminary overview of the effectiveness of the measure, it should be noted that the total number of beneficiaries represents a very low proportion of the resident population (3.4 per cent in December 2001), if one compares this with the poverty rate in the country. There are no reliable data on the take-up rate of this policy measure, but a recent study (Rodrigues 2004) estimates this rate at 72 per cent, which indicates that 28 per cent of the households that are entitled to the GMI did not apply. A few additional points are worth mentioning: on the positive side, given that 65 per cent of all entitlement discontinuations were due to income improvement, this can be read as an indication of the GMI's positive effect; but, on the negative side, about 19 per cent of total discontinuations were due to the fact that the recipient failed to sign the social integration contract or did not fulfil this contract. Another negative aspect worth noting is that for eventual beneficiaries there is a long time lag from the moment an application is made to the time the actual benefit is paid (about six months).

To assess in greater detail the adequacy of the GMI, the following topics will be further discussed below: How effective is the GMI in reducing poverty, in terms of the number of poor or the severity of their poverty? What is the socio-economic profile of the beneficiaries? What are the expectations of the beneficiaries and social workers concerning the impact of the measure? And how effective is the implementation of the social integration programmes that accompany the cash benefit?

(a) The cash benefit The poverty threshold approved as a reference income for the benefit is very low: we estimate it to be approximately 50 per cent of the absolute poverty line. It is therefore expected that the impact on poverty will be modest. Although an *ex post* evaluation has still not been undertaken, an *ex ante* exercise by Gouveia and Rodrigues (1999) and Rodrigues (2001) provides a simulation of the effect on poverty of the cash benefit, given the legal conditions for entitlement, on the basis of the Household Budget Survey 1994/95.

The study by Gouveia and Rodrigues found that 4.8 per cent of households and 5.7 per cent of individuals participated in the GMI programme. This is a low proportion of the total poor population (about one-third of total poor households according to the monetary criterion of a poverty line of 60 per cent of the median income), and the results do not differ significantly from those we have obtained from administrative data (Table 4.6 above). The study also concludes that these results point to a low public cost for the GMI: such transfers (not including administrative costs) equalled about 0.18 per cent of Portuguese GDP and 0.39 per cent of total public expenditure in 1996. But the impact on the beneficiaries' income may be significant: it would represent an average increase of 18.5 per cent in the annual income of the households participating in the programme.

Table 4.7 summarizes other results from the Gouveia and Rodrigues study as far as the impact of GMI social transfers on inequality and poverty is concerned, by comparing the original income distribution with the simulated income distribution that results from such income transfers. Given the small amount of the social transfers, a large impact on income inequality is not expected. The Gini coefficient has a small reduction but the higher incidence on the lower section of the income distribution is visible in the reduction of the Atkinson index of income inequality for a higher parameter of inequality aversion.

There is also a small reduction in poverty, and it is evident that the greater impact of the social benefit of the GMI is on the poverty gap and on the severity of poverty. According to this study (and as expected from the characteristics of the GMI), this policy measure has a modest effect on the reduction of the number of the poor (statistics F_0 of the index of

Foster, Greer and Thorbecke), but has a relevant effect on the intensity (statistics F_1) and severity (statistics F_2) of poverty.

Another relevant issue is that of the efficiency of the programme as far as the cash benefit is concerned. Following Beckerman's model of analysing the efficiency of income transfers, Rodrigues (2001) estimated the vertical efficiency of the programme (as the proportion of total transfers received by those households that were poor before the transfers) and the poverty-reduction efficiency of the programme (as the proportion of total transfers that contributed to a reduction in poverty).[10] Using the same data as Gouveia and Rodrigues (1999), this study concluded that the vertical efficiency of the programme is 85 per cent and the poverty-reduction efficiency of the programme is 82 per cent. This means that 15 per cent of total GMI transfers are received by households that were initially above the poverty line, and 18 per cent of total transfers did not contribute to a reduction in the poverty gap. This can be related to the fact that not all income is counted towards the benefit entitlement (it considers only 80 per cent of wage income, and does not account for non-monetary income).

TABLE 4.7 Impact of the GMI on income inequality and monetary poverty (1996)

	Pre-GMI	Post-GMI	Variation (%)
Income inequality: adult-equivalent disposable income			
Gini	0.34797	0.34378	-1.20
Atkinson ($\varepsilon = 0.5$)	0.09871	0.09568	-3.10
Atkinson ($\varepsilon = 1.0$)	0.18190	0.17439	-4.13
Atkinson ($\varepsilon = 2.0$)	0.31900	0.29545	-7.38
Monetary poverty: poverty line = 60% median income			
Poverty rate (F_0)	0.17523	0.17201	-1.84
Poverty gap (F_1)	0.04314	0.03667	-15.00
Poverty severity (F_2)	0.01622	0.01111	-31.49

Source: Gouveia and Rodrigues 1999.

(b) The entitled and beneficiaries: perceptions and expectations[11] Looking at the socio-demographic characteristics of those that participate in the programme (administrative data for those active in December 2001), we may note the following: participants are mostly female (70.9 per cent of the entitled and 53.2 per cent of the beneficiaries are women); with low skills (about 19 per cent are illiterate and only about 60 per cent have attained

the minimum schooling level); a high proportion are unemployed (30 per cent of the entitled and 19 per cent of the beneficiaries); most of them long-term (about 30 per cent of those unemployed had been so for longer than five years). Table 4.8 elaborates on the age profile of the population that participates in the programme.

Poverty as a persistent phenomenon is present in the characteristics of the GMI participants, as several figures illustrate: for the great majority (68 per cent) their relatives (with whom they lived) had (or had always had) economic problems, and the schooling level of their parents was low, with illiteracy among fathers (38 per cent) or mothers (53 per cent). This means that for many beneficiaries their poverty was an economic and social inheritance. The IDS/MST report (2002) also found, for a large proportion of this population, that there is an early occurrence of events that produce a path of impoverishment, such as death or serious illness of the parents or relatives with whom they lived (76 per cent).

TABLE 4.8 Age profile of the entitled and beneficiaries of GMI (%)

	Entitled	Beneficiaries
<18	0.0	35.3
18–24	7.1	10.5
25–34	21.9	14.0
35–44	24.7	13.4
45–54	17.7	9.5
55–64	17.9	9.4
>65	10.8	7.9

Source: IDS/MST 2002.

Many of the current beneficiaries started working at a very early stage in their lives (on average at the age of twelve, becoming wage earners at the age of sixteen) and their schooling level is low: 14.6 per cent never went to school, either because they did not have any incentive (39.3 per cent) or because they needed to work (34.8 per cent). This means that this group of people accumulated deficits in human capital affecting their integration into the labour market.

Almost all the beneficiaries regarded the GMI in a positive manner (92 per cent), either because of the income variation it has produced, or because of the improvement in their self-esteem (30.6 per cent). When they were asked about the effect of the GMI on the reorganization of their lives, the reported impact was also positive in terms of the professional integration of able-bodied beneficiaries, both in urban areas (before the

GMI 26 per cent had a job, and with the measure the percentage rose to 38 per cent), and to a large degreee in rural areas (the percentages were 17.9 per cent before and 42 per cent after, respectively). Table 4.9 demonstrates a significant variation (pre-GMI and post-GMI) in the rate of beneficiaries who were in employment.

According to the administrative data collected, the GMI has facilitated professional integration into the labour market and has allowed many beneficiaries to no longer require the benefit (65 per cent of the able-bodied); but for some (27 per cent) this is viewed as a precarious situation and they still face unresolved problems regarding their participation in the labour market.

Looking at the expectations, these are quite differentiated among beneficiaries: for 32.9 per cent of the beneficiaries who are available for professional integration, the GMI has increased their possibilities of labour market participation, but for 23.8 per cent such expectations are negative. The beneficiaries are pessimistic about their situation when they no longer receive the benefit, many of them expecting to return to the pre-GMI situation (55.4 per cent) or facing uncertainty about their future life (35.1 per cent).

TABLE 4.9 Proportion (%) of GMI beneficiaries who had a job before and after GMI

Age group	Pre-GMI	Post-GMI
18–24	12.0	28.0
25–34	21.6	40.0
35–44	25.9	43.5
45–54	22.6	39.2

Source: IDS 2002.

The perception by the staff (social workers) who administer the GMI is an important aspect for assessing the impact of the measure (see IDS/MST 2002). Importantly, a survey of staff conducted by the GMI coordination bodies found that the three major recognized effects of the measure are: an increase in the visibility of the problems of poverty and social exclusion within Portuguese society; a reduction (but not elimination) of poverty; and introduction of new social actors into social protection policies. As far as the effect on the beneficiaries is concerned, most staff recognized that the most important factor has been the population's improved access to social protection services and, to a lesser extent, the improvement in families' economic situations and in individuals' personal capabilities.

Only one-third of the staff surveyed referred to improvements in labour market integration as a positive effect of the measure.

Partnership is an important dimension of the GMI's operation. The experience accumulated in the last decade from the National Programme against Poverty (local projects) and other social programmes have already created, in Portugal, some culture of participation in innovative forms of institutional cooperation. This explains why almost 40 per cent of GMI staff already had past experience of partnerships. The participation of partners is crucial for the preparation of labour market integration programmes, and the successful operation of joint participation is a necessary condition for the efficacy of such programmes. Weak participation of institutional partners and a lack of adequate policy responses to the needs of beneficiaries are mentioned by staff as reasons for the limited success of the GMI with regard to its labour market integration component.

Concluding remarks

The creation of the GMI constitutes an important development in the content of social policy in Portugal, for three major reasons.

First, the GMI represents a greater concern for poverty as a social policy problem, leading to a new view that goes beyond the strict concept of income poverty. As a social policy measure addressing poverty, the GMI involves either a distributional element (cash benefit) or a relational dimension with regard to social institutions (integration/right dimension). This is viewed as a matter of rights, in a broad sense (social rights, with redistributive content, and the right to integration) and thus combines the old concept of poverty (as a lack of economic resources) with the new concept of social exclusion.

Second, although this is a national-level social policy, the GMI also entails the involvement of several different social actors (public, private, third-sector) in its implementation at various territorial levels (national, regional, local), as well as experimenting with innovative forms of partnership. In this sense, the GMI continues the accumulated experience of social programmes piloted in the last decade, reinforcing the welfare-mix tendency of social policy in Portugal.

Third, the GMI represents a new generation of active social policies, less oriented to passive measures of social transfers and, instead, requiring the active participation of the beneficiaries in correcting their individual trajectories in social life (namely within the labour market) with the aim of gaining social and economic autonomy.

The characteristics of poverty in Portugal, as well as the experience of the GMI measure in its seven years of implementation, permit us to formulate some (still preliminary) opinions about its adequacy in alleviating poverty in Portugal.

This social policy measure is temporary in nature and requires the active participation of beneficiaries (so as to take advantage of vocational training and other programmes of social and professional integration). As we have extensively argued, these characteristics of the GMI scheme do not appear to be adequate for combating a great deal of poverty in Portugal, given the fact that poverty is mostly of a persistent nature, and that a large proportion of the population is handicapped in its ability to participate in labour integration programmes. As such, the GMI may be an adequate policy response only for a proportion of the poor population in Portugal: those who experience poverty and deprivation of a transitory character, as well as the able-bodied poor who can be involved in activation programmes aimed at their progressive integration into the labour market. In a nutshell, it is a positive initiative in the neglected field of social assistance which has achieved substantial results in decreasing the severity and intensity of poverty – but less so in terms of impacting on the prevalence of poverty, which continues to be comparatively high. In order to effectively combat persistent poverty, wide-ranging policies to tackle crucial distributional imbalances and developmental issues within Portuguese society and the economy are required.

Notes

1 It is broad in terms of the content of policy measure (cash benefits plus insertion measures), but not in terms of policy entitlement, since eligibility is strictly based on recorded household income.

2 See Silva and Rasgado (1999) for a historical account of the research on poverty in Portugal in the last twenty-five years.

3 Another study published in 1984, using a relative measurement approach, was of a rather preliminary and exploratory character, and constituted the first published data on the extent of poverty in Portugal, with reference to 1974 (just before the revolution of 25 April 1974) (Silva 1982, 1984). In this study, the poverty line was defined as 75 per cent of the average household income, separately by household size, and it concluded that in early 1974 the poor accounted for about 43 per cent of Portuguese households.

4 This is not to say that these studies have not been considered by the policy-makers in the decision-making process on the GMI. In Portugal, however, there is no recognition of a poverty line per se and what is (or should be) its ideal level.

5 The difference between the poverty lines in urban and rural areas is due to two factors, as estimated for 1980: the variation in the prices of consumer goods and the variation in the Engel coefficient of the households living in these regions.

6 This rather arbitrary value was chosen after looking at the distribution and observing that, on the one hand, this is the modal value of deprivation for the monetary-poor households and, on the other hand, that the partition of the total sample by this value originates the same value of incidence (about 28 per cent) for the concepts of both deprivation and of monetary poverty in terms of the poverty threshold of 50 per cent mean adult-equivalent income. The empirical analysis then proceeded by investigating to what extent these two criteria (deprivation and monetary poverty) overlap by analysing the two resulting partition groups.

7 This trend is not fully consistent with that based on ECHP data. Several factors may explain such differences, namely the sample design and the different income content of such household surveys.

8 This programme has been modified recently (Act No. 13/2003, 2 May) with the new designation of '*Rendimento Social de Inserção*' (Social Insertion Income Programme).

9 These figures are from administrative data published in several reports by the bodies that undertake the administration of the GMI (IDS/MST 2002).

10 In a previous paper (Pereirinha 1996) we also made use of Beckerman's approach in another analytical context, where vertical efficiency was called poverty gap gross efficiency of transfers (EC2) and the poverty reduction efficiency was called poverty gap net efficiency of transfers (EC1).

11 This analysis is undertaken on the basis of the IDS/MST report (2002). For a definition of *entitled* and *beneficiaries* see note to Table 4.6.

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5 | Absolute poverty of illegal immigrants in Spain: a growing problem

UBALDO MARTINEZ VEIGA

The analysis of the immigration situation in Spain has often tended towards uniformity. The only accepted difference is that of ethnic origin. Often, even this is forgotten and immigrants are considered to form a homogeneous group in a uniform relationship to the labour market. In this chapter the situation of poverty, including absolute poverty, under which some of these migrants live, will be considered. The analysis clearly differentiates among migrant groups.

Brady (2003: 720–21) has stated that 'scholars conclude that the relative measure (of poverty) more effectively gauges comparative historical variation across comparable nations in a historical period. Alternatively, absolute measures of "basic needs" are most useful in developing countries vulnerable to famine and underdevelopment'. The question cannot be solved in abstract terms. An empirical approach is needed and, as we show on the basis of our empirical investigation, his idea falls short. In some 'advanced democracies' an increasing number of migrants live in absolute poverty. In Spain this is due to the continuous erosion of the rights of irregular immigrants. The situation can be considered a case of social exclusion, which implies that this group of migrants is unable to participate in the normal activities of the society in which they live or are rendered incapable of functioning within it (Atkinson 1998). Social exclusion means incomplete citizenship or at least a very limited one: no access to the status, benefits and experience of typical citizens (Gore 1995). In consequence, this important reduction in the rights of irregular immigrants in Spain, or the phenomenon of state-induced social exclusion, leads to the absolute poverty described below.

Methodology

The analysis of poverty in Spain is critically related to developments in immigration and immigration policy. There are already well over two million migrants in the country, and their living conditions and treatment are interrelated with the conditions and treatment of the indigenous population. To illustrate the range of problems faced by the government, and to draw lessons for general policy strategies, I have adopted an in-depth, illustrative methodology. Interviews were conducted with sixty immigrants, half of them living in Madrid and half in El Ejido (Almeria Province, Andalusia). The latter is a town of 60,000 people, with 12,000 immigrants who work mainly in greenhouses in intensive agriculture. In Madrid the migrants were interviewed at the Red Cross Hostel. In El Ejido they were interviewed in their place of residence: basically shanties. All immigrants interviewed in Madrid were irregular workers, while in El Ejido approximately half were regularized migrants and half irregular (sixteen and fourteen people respectively). Interviews lasted approximately two to three hours and were unstructured, but most questions related to working conditions and poverty. Those interviewed in El Ejido were Moroccan males who had travelled directly from Morocco to Spain. Those in Madrid were more varied in origin and gender: eighteen men and twelve women, three of each of whom were couples; as to geographic origin, ten were Latin Americans, eight Africans, eleven Eastern Europeans and one Asian. The migrants in El Ejido had worked only in this locality while those interviewed in Madrid had either worked or sought work in other cities or villages around the country.

Attempts were made in the interview process to allow the interviewees to relate their work experiences and possible poverty without the interviewer introducing too many elements into their discourse. The analysis is limited exclusively to what surfaced in the interviews. Discourse analysis reveals aspects that the survey was unable to show. Some researchers (Veit-Wilson 1987; Walker 1987) have defined this as a 'consensual' viewpoint in poverty analysis, meaning a qualitative approach based on discussion groups or in-depth interviews such as those used here. In order to understand the value of this methodology, it is important to dwell on some oft-recurring aspects. Women who work in live-in domestic service all have two main complaints: insufficient and poor food and the huge workload that leaves little or no free time. Both of these form an integral part of the notion of poverty they offer. The issues presented by these women raise a crucial point in relation to the frequently used methodology in poverty analysis. Poverty is usually presented as the inadequate consumption of goods and basic services that correspond to income or consumer costs below a determinable poverty level. This approach has three basic parts. First, one needs to determine preferences shown by trends in consumer behaviour, as analysed through household surveys. Second, levels of well-being, represented by consumer costs, must be determined, taking into account the prices and composition of the domestic unit. Finally, a poverty line must be drawn. Following these guiding principles, poverty is characterized as a lack of satisfaction of basic preferences. This analysis of preferences, or dissatisfaction with them, is carried out taking into account what Samuelson (1966) designates by the term 'revealed-preference theory'. According to his definition, the knowledge of preferences is based on consumer behaviour observation. This point of view excludes other methods of understanding and determining preferences, such as via discourse.

Schaffer (1998) examines the problems implicit in this type of poverty analysis. In a Guinean locality, Kamatiquia, he carried out a series of group discussions and discovered that the majority of men and women do agree with the notion that the women are poorer than the men. When they were asked why, one of the main reasons given was that women have to work much harder. When one studies the poverty data, however, starting with the 'household survey data', one discovers that from the consumer point of view, women are not poorer than men. As Schaffer explains, it can also be seen that 'the incidence, intensity and severity of poverty are higher in male-headed households than female-headed ones'. In addition, in both the poor and the very poor domestic units, there are fewer women than men. Schaffer found that the evidence from discussion groups contradicted these data, however. Namely, this evidence 'suggests that in Kamatiquia, women are worse off than men when deprivation extends beyond "revealed basic preferences" to include a range of items that are discursively revealed' (Schaffer 2002). Such an empirical analysis presents some similarities with our study. The immigrant women we interviewed strongly insisted on the notion that the large number of hours they spent working (fourteen or more) is in fact an indicator of poverty. In any event, it is important to emphasize the short duration of the work periods, not only among women, but also among men, who mainly get jobs in the catering or construction industries. In the case of men, the jobs often last for an even shorter period than those of women, tending not to last more than two or three weeks. Job instability and the short duration of welfare support (if there is any) account for the frequent possibility of falling back into poverty, including absolute poverty.

Illegal immigrants in Spain

In 1985, the Royal Decree on the Rights and Freedoms of Foreigners in Spain – a legislative initiative born of Spain's imminent entry into the European Union in 1986 – was approved. The previous general law regarding immigration (the Royal Decree on Classification, Residence and Civil Status of Foreigners in Spain) dated from 1852, more than a century before. This new law established a very restrictive immigration regime aimed at limiting Third World immigration and preventing illegal immigration.

The law made a clear-cut distinction between foreigners that settle legally in Spain and those who are illegal, and assures a plethora of rights and guarantees only for the former category. At the same time, the law develops specific measures in order to prevent negative effects on social cohesion caused by the presence of illegal foreigners. The distinction between legal/illegal (regular/irregular) immigrants is a constant theme in Spanish legislation that often reflects a subliminal connection between being an irregular worker and criminality, deviant behaviour, etc. In this context, it is not unusual to hear the different governing parties in Spain talking about the 'anti-social plague' of illegal immigration (Ministerio de la Presidencia 1990: 17). In any case, the 'Foreigners' Law' was promulgated because of the increasing numbers of foreign residents in Spain: from 183,422 persons in 1980 to 272,796 in 1990. By the end of 1994, 461,364 foreigners had registered with the Justice and Interior Ministry, thus accounting for a little over 1 per cent of the total Spanish population of 39 million. This transformed Spain from a country of emigration into a country of immigration.

The total foreign population is larger than the number of foreign residents owing to the scale of illegal immigration. The law of 1985 offered the possibility of regularization to the undocumented immigrants who were in the country on the day the law took effect. A total of 43,815 applications were presented with a positive response in 94 per cent of cases (Aragon Bombin and Chozas Pedrero 1993: 26). Three more regularization programmes have taken place since 1985: the first in 1991/92, the second in 1996 and the third in 2000/01. A brief overview of these processes serves as a framework in which to study the recent history of immigration in Spain.

Obviously the aim of these programmes was to legalize the undocumented immigrants in the country. There are two main reasons for the existence of pockets of irregular migrant workers in Spain. The first has to do with the labour market for the type of jobs the migrants are employed in: this is basically a local labour market that can hardly be accessed through formal arrangements that would allow immigrants to come from their country of origin with a work permit or contract. By contrast, most immigrants come as tourists or by some extraordinary means and then find a job. The second reason is that, even for those who can obtain a regular permit, its short duration (one year maximum) and the cumbersome administrative procedures needed to obtain the right documents greatly hinder applicants in their attempts to go through the regularization process – and thus they easily lapse into a situation of illegality. According to SOS Racismo, about half the foreigners regularized in 1991 had relapsed into irregularity by 1995 (cited in Church Commission for Migrants 1995: 5). Immediately after regularization (1991/92), the high risk of falling back into irregularity was evident. If we compare the data compiled by Aragon

Bombin and Chozas Pedrero (1993: 85–6) with those compiled by the Ministerio de Justicia e Interior (1993: 65), we discover that the 48,644 work permits given to Moroccans in 1991/92 decreased to 43,418 in 1993. Also, 5,547 Dominican nationals were regularized in 1991/92 but the number diminished to 5,228 in 1993; and the same happened with many other immigrant groups.

In any case, by 1991/92 the second regularization process took place 'in order to bring out into the open the clandestine foreign population' (Boletín Oficial del Estado 1991: 18860). To qualify for this programme, irregular foreign workers 'had to demonstrate that they have developed roots (*arraigo*) in the national community'. Owing to the ambiguity and fluidity of the concept of 'roots', which still persists in the government's legal jargon, in the end 'having roots' came to mean that the foreigner had been in Spain before 15 May 1991 and had had a work permit at some time in the past, or had worked for at least nine months in the two previous years. Out of 135,359 applications, 108,000 received a positive response and almost half of those rejected received a positive response following appeal. The main reason for rejection was the inability to prove entrance into Spain before May 1991. According to the authorities, this demonstrated the 'call effect' (*efecto llamada* – pull or attraction) of the regularization programme (Aragon Bombin and Chozas Pedrero 1993: 83). With this idea of the 'call effect', a rule gauging all the legal measures of immigration was issued. No one is able to explain what the concept means or how to operationalize it. In any case, towards the end of the 1980s and the beginning of the 1990s some estimates were made of the number of irregular foreign workers. The most publicized were the data on 366,550 irregular immigrants from a study ordered by Caritas and carried out by the Colectivo IOE (1987: 97). This study's numbers were more guesswork, however, than a real estimate based on empirical methods.

On 4 May 1993, the government passed a resolution that established the first annual quota for labour immigration in Spain. The measure aspired to prevent job vacancies from being filled by irregulars and to combat exploitation by unscrupulous employers. The NGOs and labour unions working with immigrants welcomed the establishment of the labour quota as 'the only measure of the administration which represents a certain progress and openness. So far, all other measures have been restrictive', and they warned that quotas would not resolve the problem of irregular immigration: 'as long as there is an important underground economy, possibilities to find clandestine work will persist' (Comisiones Obreras 1993). The first quota for 1993 was 20,600. According to the quota system, those selected for a job had to apply in person for their visa with the Spanish consulate in their home country. On the insistence of trade unions and NGOs, however, the initial requirement that applicants for quota jobs had to come from abroad was lifted, and irregular foreign workers in Spain were allowed to apply as well. In fact, the quota system became a means of regularizing illegal immigrants already in the country who, by any estimate, presented the most pressing problem. The first quota was a failure. Very few jobs were offered by employers: only 5,220 (Ministerio de Asuntos Sociales 1993, 1994). The respective quotas for 1994, 1995 and 1997 were 25,604, 19,946 and 46,881.

Even after this system took effect, in 1994 NGOs and unions persistently asked for a new regularization programme on account of the large-scale, clandestine immigration that continued to take place and the fact that even registered immigrants easily fell back into illegality.[1] Thus, in 1996 a new regularization process began (called the 'documentation process of irregular immigrants'): 126,407 applications were dealt with favourably and 8,282 (6 per cent) were rejected (Ministerio de Trabajo y Asuntos Sociales 1998). Soon after the process was concluded, however, the labour union Comisiones Obreras (1996) stressed that 'the recent documentation process of irregular foreigners did not solve the problem of thousands of immigrant workers who reside and work irregularly in our country. The process was absolutely restrictive'. Thus, the union asked for one more round of regularization.

Between 1999 and 2000 the foreign population in Spain increased from 801,329 to 895,720. In absolute terms, immigrants from African countries increased by 48,373 individuals (during 2000 alone the increase was 22.7 per cent). Latin American immigrants also increased in absolute terms by 33,255 persons in 1999/2000 – or by 13.3 per cent in 1999 and 20 per cent in 2000 (Ministerio del Interior 2001).

In 2000 two different laws on foreigners weree promulgated (Laws 4/2000 and 8/2000 enacted in January and December respectively). Law 4/2000 introduced the recognition of foreigners' rights without major differentiation between irregular and regular status. This was overturned by Law 8/2000, which established a sharp difference between these two groups, and many rights, such as freedom of association and the freedom to hold meetings, were ceded only to foreigners with a residence permit. The same applies to the right to join labour unions or the right to strike. The right to move freely within the country and to reside wherever one pleases is also conditioned by having a residence permit, as is the right to vote in municipal elections. In my opinion, the most discriminatory part of this law is the recognition of the right to work only upon acquisition of a work permit (Article 10, Law 8/2000). It strongly discriminates against irregular workers (and in this way the law strengthened many elements of the 1985 law).[2] The lack of recognition of the right to work for illegal immigrants encourages employers not to pay their salaries or pay less than is legally required. As we show below, all the cases of absolute poverty that we found among irregular immigrants were related to lack of payment for work done.

In 2000 a new regularization process was announced which was completed in 2001. Some experts criticized the chaotic nature of the process and José María Díaz Ropero (2003: 145), Confederal Secretary of Migrations of Comisiones Obreras, has written about the four processes of regularization in which 675,000 applications were processed and 450,000 accepted. Following this process, there were 1,109,060 immigrants in Spain[3] with residence permits (Ministerio del Interior 2002). If we compare this with the national census, which put the number of immigrants in Spain in 2000 at 1,572,000, we can estimate the number of irregular immigrants in that year. The figure we obtain is around 450,000 irregular immigrants (Antonio Izquierdo, personal communication). It is difficult to calculate the exact number of irregular immigrants at that time, however. According to the municipal census, in the Madrid region alone there are 610,000 immigrants and the Social Services Council estimates the number of irregular immigrants to be around 300,000. If this figure for Madrid alone is accepted (*El País*, 2 September 2003), the figure of 450,000 for the whole of Spain in 2001 must be an underestimate.

In a nutshell, we could say that there has been a large increase in the number of arriving immigrants. Taking into account the fact that in 1975 the number of foreigners with work permits was 166,490 and in 2002 1,324,001 foreigners were in the same situation, we can estimate the increase. The latest census data offered by the president of the National Institute of Statistics, Carmen Alcaide, put the number of immigrants in Spain at 2.5 million in late 2003, i.e. during 2002 Spain's population increased by 800,000. This is basically due to the influx of foreigners, particularly those considered to be economic migrants (*El País*, 3 December 2003). On this basis, the present number of irregular immigrants could be 1 million, almost half of the total migrant population.

Two other points need to be stressed. First, the labour market for immigrants is a local one and this accounts for (in view of all the impediments they face) most immigrants starting their journey in Spain as irregular immigrants. Second, there is a high concentration of immigrants in a few regions of the country: Catalonia, Madrid, Andalusia, Valencia, the Canary and the Balearic Islands have 80.2 per cent of the immigrant population. Immigration legislation acts against irregular immigrants and leaves them totally unprotected.

Hunger and absolute poverty

Throughout my years of fieldwork with foreign immigrants, I have constantly heard complaints about the difficulties experienced, including descriptions of the hard times and penury suffered. In addition, migrants describe the feeling of abandonment that marks every personal history. All this can be interpreted as the consequence of the general physical and psychological difficulties associated with the migratory process. The persistence of these complaints in interviews, however, led me to a closer examination of their significance, and the results were quite unexpected. The complaints referred to periods of varying lengths during which our interviewees had gone hungry. When asked to describe what they meant more precisely, they replied that they did not have enough food to satisfy their daily needs. Some even declared that on some occasions they had absolutely nothing to eat and that the only possibility left was to pick food out of the rubbish or to steal. When asked about begging, the majority replied that such an activity was, as one ironic Moroccan put it, sometimes harder than finding a job. Further examination of these replies revealed that begging was not an activity freely accessible to anyone, but rather an option only for those with the right connections with the gangs who control begging or who were members of a particular ethnic group.

Among the people interviewed, all irregular migrants, with just one exception, had spent at least one period, and some more than one, of a minimum of two weeks without enough food to survive. They had nothing at all to eat, except what they found in rubbish bins. In other cases they did have some food, but it was so little that they could be considered to belong to the first category. A typical case is that of the live-in domestic employee who was fed only once a day on a small piece of chicken (never more than 50 grams), and approximately 60 or 70 grams of rice. In other cases, a woman spent two months eating a little boiled pasta with water, and two sisters spent two weeks eating just one or two biscuits a day plus a tiny piece of cheese. All insisted on the terrible feeling of hunger. These phenomena occurred among the immigrants living in Madrid. Those in the rural areas, despite having lived for over two years in Spain, describe a situation that is similar in some respects, although with some significant differences.

In rural areas, the periods of hunger are seasonal, occurring mainly during the summer months (July and part of August). During this period immigrants often had nothing to eat except for bread and some vegetables, basically surplus green peppers that the greenhouse owner threw out when cleaning. Therefore, in the countryside the lean periods are more predictable. An important difference, however, is that these periods last longer.

Another important difference between the two groups is that those in the countryside were working at the time of interview, even if intermittently, while in the city most had no jobs and were looking for work. Many of those interviewed in the countryside (almost 50 per cent) had a regular legal status, but under these circumstances it is noteworthy that being a legal or illegal immigrant did not make much difference.

Finally there is a significant difference in the general well-being of these people. In Madrid, there are public welfare residences where they can sleep and dining halls (soup kitchens) where it is possible to eat. These do not exist in the countryside, where during the summer the heat in the greenhouses makes work intolerable, yet needs to be endured. In rural areas, where residences and dining halls do not exist, the absence of any form of social protection is more strongly felt.[4]

One crucial question in respect of this privation can be raised. The interviewed immigrants stated that all *had worked for some period of time.* One therefore wonders why they had not saved a little, especially in the rural areas, given the predictability of the lean periods. In answering this question the migrants said that this was a first-time experience. As one of them stated: 'I had never before really gone hungry', and he had never found himself in the situation of not being able to send anything to his family. In another case, an Argentinian immigrant had been sending money to his family, but they in turn had later to send him money, as he no longer had the resources to even buy food. Others had 'gone hungry' sometimes, as we have said before. In all these cases, both men and women immigrants had been sending money home.

There are many reasons for sending money. A Ukrainian lady interviewed said she had to send money to her mother to buy her medicines. She explained that in Ukraine one must now pay for everything. In the cases of immigrants whose children had to remain in their country of origin and attended school there, they send money for school books and other needs. In other cases, the immigrants have to support their parents because they are poor and have no resources. Independently of whether they had worked for longer or shorter periods, all the migrants interviewed had been sending money back. Two cases exemplify this. A young Moroccan who had worked for a month picking fruit in Lerida was paid 40 euros a day and sent money every week to his family. When asked how much he sent, he did not want to answer, but eventually admitted that he sent almost all he earned, since he lived in a residence where food was provided. Later he went to work in Toledo picking olives, where he was paid 39 euros a day. He could work only intermittently so had less money to send, but he continued to do so. At the end of his stay there, he worked for two weeks for someone who did not pay him. He remained in the area for an additional two weeks, trying to find work, eventually ending up with no resources and eating only what he could find in the rubbish.

The second case, a Ukrainian woman, came to Madrid and started to work taking care of an elderly sick lady. She lived with her and was paid more or less what had been stipulated. For six months she could send money to Ukraine in order to support her small children, who had been left behind with her mother. Later she started to work for another sick lady whose household situation was much worse. She did not have a separate room, so she had to sleep on a mattress on the floor in a house with no heating or hot water. She had to take cold showers. After three weeks she asked for an advance on her salary. She was told that she would be paid at the end of the month. When the end of month came and she asked for her pay, she was told that they were unhappy with her work and threw her out without payment. Since she had no work and nowhere to go, she spent eight days living on the street with practically nothing to eat. Finally, she approached some nuns, who found her a welfare residence.

This recurs in practically every interview – namely that after having worked for some time, the immigrants either do not receive all the stipulated payments or are not paid at all. Being irregular, the immigrants are not entitled to any form of legal redress, and employers take advantage of this. This will be illustrated by four examples, which may also serve as a clarification.

The first refers to a Filipina woman worker. She initially emigrated to Abu Dhabi, where she worked for a family who, although they paid her very little, helped her with clothing, fed her well and so on. Since the salary was so low she looked for another job through a placement agency, and eventually signed a contract to work for a family of diplomats in Madrid. As part of the agreement, they paid her travel expenses, and she started to work in their house. After two months, she asked for her salary and was told that she would be paid later on. After five months, when she enquired again about her salary, she was told that she had been working all these months to pay for her ticket. A ticket from Abu Dhabi to Madrid cannot possibly cost more than one month's salary. She had to clean seven rooms and seven bathrooms *every day* and cook as well. Her employer was never satisfied and there was a lot of verbal and physical abuse as well as the threat of passport retention – it had already been taken from her.

Another case is that of an immigrant who paints portraits in the Plaza Mayor (a historic square in the centre of Madrid) during the summer tourist season. He survives the winter living in welfare residences and eating in soup kitchens. He earns a little by distributing propaganda leaflets, but this source of income is unreliable. Working six hours a day pays around 3 euros an hour. One day, when he had gone to eat in a soup kitchen, two members of one of the poorest ethnic groups in Spain approached him and offered him a job in harvesting in Saragossa. They took him there in a van, housed him in an industrial barn-like building and fed him. After four weeks' work, he asked for his salary. The people who had brought him from Madrid and had housed him had disappeared. The immigrant, along with eight others, protested and asked the vineyard owners for their salary. The owners answered that they had paid the intermediaries who had brought them from Madrid and therefore they should claim their money from them. Thus, the immigrants earned nothing for the period worked.

The third example is that of an Argentinian immigrant who worked in Argentina for quite a long time as a mason and had spent the last fifteen years as a typesetter. After two months in Spain, he found subcontracted work to finish off an apartment building. He worked as a plasterer for twenty-five days and when he asked for his salary he was told that he had been on trial for this period and since he hadn't worked particularly well he was not going to be paid. The person who contracted him had given him a wrong phone number so he could not complain.

The last example relates to two Bolivian sisters from Cochabamba. On arrival in Madrid they expected to meet a compatriot who was to come and pick them up at the airport. The friend did not appear so they walked around for a while in the arrivals hall. A couple approached them and asked them where they were from. They explained what had happened and these people offered to take them by taxi to a place where they would meet their friend and there they would be offered work. The man and woman took them in a private car to one of the stations in Madrid. Since they were a couple, the sisters had confidence in them. There they awaited the friend, who did not show up. After some time the couple said that they would go and fetch the job contract but that the sisters would each have to pay 300 dollars for the taxi and the contract. They paid and the couple never reappeared.

There is not a single immigrant in our experience, among all those interviewed, who did not find him- or herself in the situation of not being paid – normally after having worked for some time. They are also cheated by real or fictitious employment agencies. These, under the pretext of finding them a job, often ask for considerable sums of money, in anticipation of earnings, only to disappear afterwards or to do nothing to find them work. The money is never recovered.

The situation of not paying salaries owed is such that fraud by agencies and individuals is in direct proportion to the level of direst poverty among immigrants. We will return soon to this topic. It is also evident that these situations occur because the immigrants are irregular and have no rights, or at least are afraid to report such cases to the police for fear of deportation. An example is illustrative. This concerns a Brazilian immigrant, in Madrid for over a year, who, like many other immigrants interviewed, has higher-level educational qualifications. After working for three months in a subcontracted firm dealing with El Corte Ingles (the largest department store in the country), he, along with four other immigrants, was not paid. They went to a law firm and paid 50 euros each. The lawyers telephoned the company in order to reach an agreement but the company representatives did not attend the scheduled meeting. The lawyers then said that they could do nothing owing to their irregular status and if they demanded payment the police would expel them.

Absolute or relative poverty?

One can affirm that 'an absolute poverty standard is defined in terms of a fixed level of purchasing power, one that is sufficient to buy a fixed bundle of basic necessities. A relative standard, on the other hand, is defined in terms of the typical income or consumption level in the wider society' (Burtliss and Smeeding 2001: 29).

In order to be more concrete with respect to these benchmarks, we can introduce another dimension. Normally, one may consider the exogenous criterion from which absolute poverty is defined as that of subsistence. Another way of saying this in a preliminary way is that subsistence is the minimum needed to sustain life. For this reason, being below subsistence level implies being in a state of absolute poverty, since a poor person under these conditions has insufficient resources to survive. It is important to note that in conservative ideologies this notion of absolute poverty is used to propose that once the problem of absolute poverty is resolved, the problem of poverty is also solved. Along these lines, Joseph and Sumption (1979: 27) affirm that the 'absolute standard means one defined by reference to the actual needs of the poor and not by reference to the expenditure of those who are not poor. A family is poor if it cannot afford to eat'.

One could agree with this statement regarding absolute poverty without accepting the political consequences that the authors deduce. In contrast to this absolutist notion of poverty, a relative concept may be proposed. In Townsend's words: 'individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities and have the living conditions and amenities which are customary or at least widely encouraged or approved, in the societies to which they belong. Their resources are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary living patterns, customs and activities' (Townsend 1979: 31).

The notion of absolute poverty and its insistence on the criterion of a subsistence level is something that must be envisaged not only as a possibility but also as a concept that is useful in unveiling a reality that is also present in the so-called developed countries. Even Piachaud, a researcher with a negative view of the notion of absolute poverty, admits that 'close to subsistence level there is indeed some minimum necessary for survival' (Piachaud 1987).

No doubt the conception of poverty relating this phenomenon to subsistence is the most widespread and persistent among both researchers and the general public (Novack 1996). Debate as to the value of the notion of absolute and relative poverty reached a high point in the dispute between Sen and Townsend. Sen (1983: 159) proposes the existence of 'an irreducible absolutist core in the idea of poverty. One element of that absolutist core is obvious enough, though the modern literature on the subject often does its best to ignore it. If there is starvation and hunger, then – no matter what the relative picture looks like – there clearly is poverty'.

He argues that, although there are people who think that this reality is foreign to the richest countries or those with the most resources, from an empirical point of view this is not so clear. This can easily be demonstrated by the data described above. Such a conceptualization of poverty is not only applicable in the case of our observations on immigrants in Spain, but also in other cases, such as Britain in 1999, when the monetary criterion of £178 per week for a domestic unit was established as the limit below which one is in a state of absolute poverty. It is striking that in the United Kingdom 9 per cent of those interviewed said that the family budget was a lot below what was needed to maintain a household above the absolute poverty line, and an additional 8 per cent of the interviewees said that their resources were a little below the line of absolute poverty (Gordon 2000). Thus, 17 per cent of the individuals who filled out a questionnaire on absolute poverty affirmed that their resources were less than those necessary to avoid falling into absolute poverty. In Spain, something very similar occurs. The most recent and reliable data are from 1996 (EDIS et al. 1998). For comparison, it is important to note that the resource level below which absolute poverty is considered to exist is one-third of what was established for the UK over the same period. This indicates that one cannot consider absolute poverty to be associated solely with countries of incipient economic development.

Regarding the validity of the idea of absolute poverty, in spite of

Townsend's criticism, the concept describes situations of severe and dire poverty to which high-risk groups, such as irregular immigrants, succumb, more often than one would think. This does not mean that once the problem of absolute poverty is resolved, the problem of poverty as a whole is also solved. As Spicker (1999: 151) has pointed out, 'the deprivations which people experience in poverty are not constant or consistent, and research on the pattern of vulnerability to poverty has proposed the idea of a "web of deprivation". This is a fluctuating and changing set of conditions, in which people may solve one problem or escape from another only to find themselves enmeshed in another'.

In any event, the dispute between Townsend and Sen appears to relate to two different questions that initially may seem falsely simple. According to Sen:

> [T]here are enormous differences in the fulfilment of some of the most basic capabilities, e.g. to meet nutritional requirements, to escape avoidable disease, to be sheltered, to be clothed, to be able to travel, and to be educated. But whereas the commodity requirements of these capability fulfilments are not tremendously variable between one community and another, such variability is enormous in the case of other capabilities. The capability to live without shame emphasized by Adam Smith, that of being able to participate in the activities of the community discussed by Peter Townsend, that of having self-respect discussed by John Rawls, are examples of capabilities with extremely variable resource requirements. (Sen 1983: 162–3)

Sen's observations scandalized Townsend (1985: 667), who asked whether the resources for being well nourished did not depend on the diversity of jobs that people have done through the course of history, or whether the idea of illness had not changed. In support of this point of view he affirms that 'human needs are essentially social, and any analysis or expositions of standards of living and poverty must begin with that fact'.

One cannot deny either that from the point of view of subsistence, primary needs (or capabilities as Sen calls them), such as nutrition, avoiding illness and having clothes and shelter, are more basic than the rest and seem to vary less from one human society to another. It is justifiable, however, to designate the first as absolute and the other as relative. The World Summit for Social Development proposes a two-level definition of poverty whose aim is 'to bridge industrialized and developing countries and to afford a basis for cross national measurement' (Gordon 2000: 86). Indeed, this is due to the fact that with these notions different phenomena are being discovered in both the richest and the poorest nations.

Overall, poverty was defined at the 1995 World Summit as having 'various manifestations, including lack of income and productive resources sufficient to ensure sustainable livelihoods, hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environment; and social discrimination and exclusion. It is also characterized by a lack of participation in decision-making and in civil, social and cultural life' (United Nations 1995).

This differs from absolute poverty, which 'is a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to social services' (ibid.).

In this study the distinction is made between absolute poverty and the other types in terms of referring to the notion of basic needs that are not satisfied. As Pyatt (2000) states, 'this is the approach of basic needs literature, which must ultimately rest on some value judgments about which needs are more important than others'. Among these the need for food is fundamental, hence its description as a measure of absolute poverty.

Spells of poverty and working conditions

Before analysing the causes of absolute poverty in this study, however, it is important to emphasize the time frame in question. All the immigrants studied have found themselves in a state of absolute poverty for relatively short periods, varying from two or three weeks to five months. Upon examination, the dynamics of this state of poverty reveal that it is an impermanent situation. Following the analysis of Bane and Ellwood (1986: 1), some of these elements could be identified with the analytical term 'poverty spells'. In their study, Bane and Ellwood criticize the idea of the 'underclass'. The longitudinal analyses in their study show that the majority of poor people are poor for relatively short periods. According to their findings, 'although many people have very short spells of poverty, the few with very long spells account for the bulk of all poverty and represent the majority of the poor at any given time'.

In the cases we studied in Spain, almost all reveal characteristics of short-term dire poverty, i.e., people experience 'spells of poverty'. It is important to qualify these as 'spells of *absolute* poverty', however, as opposed to simply 'spells of poverty'. This distinction helps us to define the differences between the two phenomena. As explained by Bane and Ellwood, an inclusive analysis of 'spells of poverty' undoubtedly originates in Friedman's observations about the 'theoretical decomposition of permanent and transitory income'. According to Friedman (1962: 171–2), one must distinguish between two types of inequality: the income differences of short duration and those of longer duration. He claims that the former are an example of dynamism and change, and ultimately of a certain social mobility, which is fitting for free-market capitalism. In contrast, non-capitalist societies present a status-based organization and hence inequality tends to be permanent. Even if this were the case, however, this point of view is not valid in this context.

It is clear here that the fluctuation of an individual's resources over time does not imply, as Friedman seems to affirm, that throughout this period the variation is the same for everyone (Hills 1998). In addition, it is important to note that when we refer to a situation of absolute poverty we presume that there are various types of poverty. It ensues from this distinction that the fact that the situation of absolute poverty disappears after a certain period of time in the cases studied does not imply that poverty has disappeared.

In order to analyse these 'spells of poverty' accurately, one must examine certain outstanding aspects. As Bane and Ellwood (1986: 4) state, 'presumably those interested in understanding poverty are interested in knowing what sorts of adverse events lead people into poverty, whether the duration of a poverty stay varies depending on how it began, and how (if ever) families escape poverty'. With the available data one can tackle only two of the questions raised: what events lead immigrants to a state of absolute poverty, and which help them out? Focusing on the immediate events that bring one into, and allow one out of, this state, we will neither examine the more remote causes, nor even the structural elements. The factors that precipitate the fall of these populations into a situation of absolute poverty are directly linked to the labour conditions experienced by these immigrants.

The most common cause of absolute poverty is job dismissal without receiving the total or a significant portion of the stipulated wages. When they are employed, migrants' economic situation is very tight, either because wages are very low, or because the 'little surplus' that they may normally have is sent back to their families. In this precarious situation, any economic imbalance, independent of its magnitude, leads to a state of necessity. In most cases, the perturbation is caused by the employer not paying a person's salary. It is also important to bear in mind another less frequent, but still significant, phenomenon. In many cases, migrant workers are simply cheated out of the scarce resources they bring into the country. This has nothing to do with their work situation, but rather with lack of protection from the state.

With regard to the factors that would allow these immigrants to overcome the situation of absolute poverty, the answer is even more complex. The main one relates to where the immigrant is located. Among those interviewed in the city, in most cases a social welfare institution helped them to escape a situation of poverty. In rural areas, however, there are no such institutions to help immigrants; only finding some work, however minor the job, marks the end of the period of absolute poverty. It is important to emphasize that the welfare institutions referred to are not official institutions or state resources, since irregular immigrants have no access to these, but rather private institutions, belonging to the Church or non-governmental organizations (NGOs). This application of the notion of 'spells of poverty', therefore, hints at the importance of the dynamic of work and the use of welfare institutions. Both are characterized by considerable discontinuity and last only for short periods.

Moreover, the notion of a spell can be applied to two other phenomena. Goodin et al. (1996: 136), 'use the term "welfare spell" as shorthand for periods of depending upon public transfers as one's principal source of income, making no distinction between social insurance and social assistance'. The main problem is knowing how long the 'spell' of depending on public transfers as a basic resource lasts. In the immigrants' case, the resource transfers do not proceed directly from the state, but rather indirectly. Also, in the cases of immigrants dependent on this type of assistance, the dependency periods are fairly short. This is due to the fact that the residences where they can sleep and eat – normally early in the morning and at night – do not allow them to stay for more than three months. Moreover, it is common that, during periods of good weather, these residences are quite empty. Many of these people sleep in public parks, sometimes even close to where the residences are located. Accordingly, in these cases, one cannot really refer to a 'welfare class'. The concern that immigrants consistently use and abuse the welfare services of the country is not based on reality.

The other area where the notion of 'spells' has been applied is that of unemployment/employment (Kaitz 1970). The high frequency of alternating between unemployment and employment means that neither condition is of long duration. Even for internal domestic workers, whose jobs appear to be more permanent, work is not long lasting (Martinez Veiga 1997). Among immigrant women, especially those who have been in the country only a short time, employment does not last more than two or three months. The reason is that they often find work through a third party, who may approach them at the entrance to the residence where they live or where they eat. This means of finding work leads to what Cordova (1986) and Moberly (1987) identify with the term 'triangular labour relations'. These triangular relationships are older and more widespread than temporary employment agencies. They permit manual work without contractual and legal obligations, however minimal, being taken into consideration. This loosens the dependency relationship between employer and employee. Despite its paternalistic character, this relationship creates some ties, at least morally, according to which the employer takes care of some of the employee's welfare. The increased rift between employer and employee, in the case of immigrants, results in the creation of what Freedman (1985: 35) calls 'strict contingency work and workers'. These are defined as 'conditional and transitory employment arrangements initiated by a need for labour – usually because a company has an increased demand for a particular place at a specific time'. Freedman's analysis concerns big companies. But as our study shows, this factor is significant also with respect to small units – either within a domestic employment context or in small companies that are practically in the informal sector.

Domestic employment concerns domestic chores at both internal and external levels. The external work is usually short term, of two or three days' duration, and the job consists of cleaning or fixing up a home. This sort of work, in spite of being of very short duration, is usually paid worse than employment by a cleaning company. The pay is on average 8 to 10 euros a day.[5] Internal domestic work, however, has different characteristics. In this case, the employer–employee relationship is much more exploitative. The women interviewed are perfectly aware of the harsh working conditions and offer varied details. They describe fourteen-hour days, lack of sleep and a very poor diet. Despite the longer-lasting nature of this type of job in general, in the cases studied among immigrants these jobs are of short duration. This was the case even when the individual had access to a labour network that allowed them to change jobs relatively easily. Some jobs last less than a month, others a month or two, up to a maximum of approximately three or four months.

Care of the elderly is another source of jobs for immigrants, especially women. There is an important difference between men and women in these types of jobs. Among men, the work is limited to the care of the person. Women, however, also have to carry out activities related to housework (fixing up and cleaning the house, in addition to cooking). As a result, these women end up with long hours and heavy workloads. Thus, all interviewees avoided taking up jobs as internal domestics or as care-givers. Given their difficult situations, however, they admitted to currently seeking such jobs. For both men and women undertaking this type of work, the job duration is short.

The difficulties involved in the relationship between employer and internal domestic employee are evident in numerous accounts. After the first month of work, internal domestic workers describe a change in the attitude of their employers; in their words, 'she becomes tougher'. In some cases, the employee is told that they are on probation and are therefore asked to perform tasks such as, for example, cooking Spanish dishes. The women described how they were asked to prepare a chicken stew with tomatoes and peppers (*pollo al chilindrón*) or fowl in egg and almond sauce (*gallina en pepitoria*), and since none of them knew what these dishes entailed they were often fired for not being able to perform the task well. Once again, it is important to note that in many cases these women were dismissed without payment or with a considerable reduction in their pay.

Concluding remarks

In an attempt to define poverty phenomena among immigrants in Spain we carried out fieldwork in Madrid and El Ejido (Almeria, Andalusia), and collected qualitative data on the basis of interviews and group discussions. Both in the Spanish capital and the rural area we studied, we came across a recurrent phenomenon of absolute poverty experienced by immigrants during certain periods of their stay in the country. The immigrants we interviewed, even though they are occasionally working, persistently run a high risk of dire poverty and hunger when they may have nothing to eat except what is thrown out by others. The evidence we collected allowed us to define some direct causes. First, all migrants send money to their homes in their countries of origin as soon as possible, usually because some family members in need were left behind. Second, this makes the migrants' livelihood so precarious that any perturbation, ensuing from conditions of exploitation (such as not being paid the salary due), sends them into absolute poverty. Third, although they all work, often their employers either do not pay the salary due or pay much less than what was agreed upon. Employers know very well that, owing to their lack of legal rights, immigrants have no way to seek redress.

According to our data, the main reason for this is the continuous erosion of the rights of regular migrants since 1985 and the highly discriminative elements in the Spanish legal framework on immigration, which are to the detriment of unauthorized aliens. These characteristics have been sanctioned in every piece of legislation pertaining to migrants since the mid-1980s. Consequently, successive legal reforms hardly allowed 'a culture of rights' to develop. Moreover, illegal immigration continues unabated and gives rise to 'a culture of exploitation' among certain employers, who are able to get away without paying partial or total salaries. Such policies have increasingly led to a division between regular and irregular migrant workers which, over the years, has served only to stigmatize the latter. Falling into ‘poverty spells’ is a frequent experience for many illegal (but also legal) immigrants. Such spells may be of short duration but often they involve intense deprivation. They occur among immigrants in both rural and urban areas, but in the latter context the problems can be ameliorated by the intervention of welfare institutions, mainly NGOs, and the provision of soup kitchens, hostels, etc. Since these do not exist in rural areas, the only ‘exit from poverty’ for immigrants in the countryside is to find work.

In order to resolve the problem of illegal immigrants’ lack of rights in Spain, which is often one of the main causes of absolute poverty among them, a major overhaul of Law 8-2000 would be a decisive step. In the meantime, the socialist government that came to power in April 2004 rightly decided to scrutinize existing legislation and draft new regulations in due course. In light of this pending revision, a new three-month visa has been introduced in order to allow undocumented foreigners to seek employment. The most important advance, however, is a new regularization process announced for January 2005 by which an employer could apply for a work permit for any foreigner who has been living in the country for six months prior to July 2001. Although the word regularization is not used in the government document, this is obviously what the proposed regulation entails.

Given the fact that a law with permanent validity is very difficult to establish, in the short to medium term the best solution appears to be successive rounds of regularization whose frequency will depend upon the numbers of illegal immigrants. One may also add that improving access to welfare services and social assistance benefits, even for migrants who fall into an irregular situation, could be an equally significant policy requirement for protecting migrants from absolute poverty. So far, unauthorized aliens who are registered in the municipal ‘*Padrón*’ (census) are entitled to use public health and education services. Expanding access to social assistance (such as the minimum incomes that exist at the autonomous community level) could be a crucial measure for combating dire poverty; migrants are often excluded from such benefits, as in some autonomous communities these are subject to the applicant being Spanish or resident for about three to five years. Needless to say, such a policy measure would put a disproportionate strain upon those autonomous communities where a large number of (legal and illegal) immigrants are concentrated. Hence, a financial adjustment across regions is also required. The fact that neither the number of illegal immigrants nor the duration of ‘absolute poverty spells’ that they experience can be accurately recorded makes an estimate of the policy cost a difficult task. Nevertheless, one could make a very rough approximation of such a cost, on the basis of the assumption that about one-quarter to one-third of the estimated 1 million illegal immigrants are at risk of falling into spells of absolute poverty of a few months' duration. By providing social assistance close to the lowest rate of minimum income schemes run by autonomous communities, the amount required would roughly equal 2 per cent of the total budget for the objective of guaranteeing minimum income levels in Spain for 2004 (see budget allocations in Ministry of Labour and Social Affairs 2003: 39). Concerns about drains on public finances should not be exaggerated, given the fact that immigration also generates additional revenue (through the payment of indirect and direct taxes and social security contributions), particularly if legal status is conferred on immigrants, not to mention its beneficial effects on productivity and economic growth (OECD 2003: 126–59).

In closing, I would like to draw attention to the fact that the Spanish experience with immigration and the growing problems of over-exploitation, hunger and destitution among groups of illegal immigrants is not an isolated incident but a phenomenon that takes on an increased significance within the EU and worldwide. This casts into stark relief the urgent need to highlight the complex causal factors driving international population flows resulting from current global social transformations, and the consequent large-scale impoverishment and human rights infringements affecting (though not exclusively) migrants. This is a pivotal issue for discussion within national and international forums and could advance the aim of eradicating poverty.

Notes

1 'The bureaucratic obstacles to obtain or renew work permits in Spain are formidable. Foreigners seeking work permits must present their social security cards, but only a minority of immigrants working in certain sectors (e.g. the domestic sector) are able to obtain work contracts that include social security payments by the employer. Since Spanish migration laws link work permits to residence permits, most illegal immigrants are unable to obtain legal work contracts' (Cornelius 1994: 339).

2 When some NGOs and labour unions asked the ombudsman to defend the right to work as a basic human right, he responded that this was not the case.

3 The number of immigrants with residence permits further increased in 2002 to 1,324,001.

4 As also indicated in a report by the Defensor del Pueblo Andaluz, in the early 2000s, in western Almeria, 'at least 65 per cent of the immigrants did not live in decent housing, more than 50 per cent had no access to drinkable water, and 25 per cent to electricity, and most had no sewage' (cited in in OECD 2003: 173–4).

5 From an examination of newspaper advertisements.

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6 | Poverty reduction strategies and well-being in Albania and Former Yugoslavia[1]

GERRY REDMOND

The purpose of this chapter is to examine the development of Poverty Reduction Strategy Papers in the countries of Former Yugoslavia and Albania. These are national plans for poverty reduction and economic growth. The main institutions that have been promoting Poverty Reduction Strategies as a framework for economic development and poverty reduction since 1999 are the International Monetary Fund and the World Bank. Although they are subject to considerable criticism, however, they are also being supported by large sections of the international community, to whom they potentially offer a coherent policy framework for aid and public expenditure.

What does a Poverty Reduction Strategy mean in terms of policies to reduce poverty? How clear is the imprint of the Bretton Woods institutions on individual country strategies? What other influences can be discerned? How can the prospects for the success of these documents be judged? In order to address these questions, the strategies of four countries or entities are examined – Albania, Bosnia-Herzegovina, FYR Macedonia, and Serbia and Montenegro. These are analysed in the context of these countries' recent histories – in particular the heritage of communism, but also the social and economic dislocation associated with the process of transition, and the legacy of war.

Despite the intention of country ownership, the fingerprints of the IMF and World Bank are discernible on the documents. This is clearly seen, for example, in the rejection of European social policy models of labour regulation and universal social policies in favour of deregulation and income-based targeting. Why this is the case is a complex question. At one level, it could simply be seen as the imposition of the 'Washington Consensus' by the Bretton Woods institutions. The lack of power of the states themselves, however, and their uncertain legitimacy and weaknesses in consultation processes with civil society, may be even more important factors. One legacy of communism in central and eastern Europe was a distrust of powerful states. Another was the 'capture' of state power by networks and groups that worked for their own short-term benefit, rather than for society as a whole. Against this background, the drafting of Poverty Reduction Strategies has been highly constrained. Where IMF and World

Bank prescriptions are being adopted, this may perhaps not be because they are explicitly imposed, but because they can be presented by governments to diverse internal audiences as a 'neutral' outside view. The parameters proposed by the Bretton Woods institutions therefore represent boundaries within which a narrower set of policy debates takes place.

The chapter concludes that, none the less, the potential benefits of countries engaging in a poverty reduction strategy process are twofold. First, the strategies do attempt to present long-term plans for economic development and poverty reduction. If targets are not reached, there is the possibility of governments being called to account. Second, even if debates are constrained, the consultation processes embodied in Poverty Reduction Strategies do open up the possibility for stronger civil society participation in future years. It is therefore important that widespread consultation be considered a goal that Poverty Reduction Strategies should continue to aim for.

The chapter is divided into five parts. The first section examines the legacy of forty years of communism followed by a decade of turmoil and conflict. In Section 2, Poverty Reduction Strategies as a global tool for poverty reduction are investigated, and critiques of them reviewed. Section 3 focuses on the analysis and implementation of Poverty Reduction Strategies in the four countries, in four areas: poverty analysis, privatization, employment policy and social protection. In Section 4, the relative influences of the 'Washington Consensus' and civil society participation are appraised. Section 5 concludes.

Background

The impoverishment of the southern states of Former Yugoslavia, and the failure of Albania to make significant progress during the first decade of the transition, are the result of violent conflict and upheaval, but are also due in part to their 'communist heritage', as well as to their geographic position. While many aspects of communism are often seen as leaving a positive legacy, others have been less benign, and it is on these that this section concentrates.

Albania and Former Yugoslavia under communism and in transition

Through most of the communist period, Albania and Former Yugoslavia perhaps represented two extremes of the communist world – the former backward and closed, with an essentially Stalinist party-institutional structure under the long-time leadership of Enver Hoxha. Former Yugoslavia, on the other hand, while showing increasing signs of tension that would explode into war in the 1990s, was the most liberal of the communist states in many respects, allowing, for example, relatively free movement of people in and out of the country, and with a considerable degree of decentralization of power, not just to the republics and autonomous provinces, but also to individual enterprises. Moreover, it exhibited some characteristics of advanced industrialized economies, such as open inflation (for some goods) and unemployment. Nevertheless, some writers characterize Yugoslavia as having much the same structures as other communist countries, with the main difference being that strong control emanated from the Communist Party at local and regional level, rather than at the national level, which was comparatively weak (Šmidovnik 1991).

While differences in terms of economic development between Yugoslavia as a whole and Albania were large, differences within Yugoslavia were also considerable. The southern republics and autonomous areas of Yugoslavia – Kosovo, Montenegro, Macedonia and Bosnia-Herzegovina – were markedly less developed than Slovenia or Croatia at the start of the communist period, and this situation continued up to the late 1980s (Flaherty 1988). Both Albania and Former Yugoslavia experienced severe economic decline during the 1980s, although Albania remained the poorest country in Europe, while Former Yugoslavia remained prosperous in comparison with other communist countries (Estrin 1991; Pashko 1993).

The crises experienced in both countries in the 1990s were dramatic. The Albanian people had to endure a sudden and harsh transition from communism that saw public order collapse and a fifth of the entire population leave the country in search of a better life, mostly in Italy or Greece (UNICEF 2004). Yugoslavia was torn apart by the biggest military conflict seen in Europe since the Second World War. By the beginning of the new millennium, when the conflicts (which also affected Albania) appeared to have played themselves out, the southern republics of the former Yugoslav state (Bosnia-Herzegovina, FYR Macedonia and Serbia and Montenegro[2]) had more in common with Albania than they had had ten years previously. These now independent states were considerably poorer. They had also witnessed a huge exodus of people, mostly to western European countries. And after 2000, all four countries were developing World Bank-inspired Poverty Reduction Strategy Papers to harness inward investment and development aid, and to promote human development.[3]

Figure 6.1 shows GDP per capita in the four countries, and in Bulgaria and Croatia (for comparison) during the 1990s. Already by 1992, the population of Bosnia-Herzegovina was little better off than in Albania. The different development trajectories of Croatia and FYR Macedonia are also clearly visible. Croatia became steadily more prosperous (in spite of the war), while FYR Macedonia's political and geographical position held back development there, even though Macedonia itself largely escaped conflict until 2001. In Serbia and Montenegro, on the other hand, the impact of continued conflict (as well as economic sanctions) is apparent in its stagnant GDP through the late 1990s. The trend in GDP for Bulgaria too, however, serves as a reminder that conflict may not be the only reason for the poor economic performance of countries in south-eastern Europe.[4]

Economic stagnation and decline affected families through mass emigration, often of the most skilled people. In all countries, emigrants' remittances became a significant contributor to GDP and to household incomes, compensating to some extent for large reductions in the number of people in employment, and in their earnings (UNICEF 2004). The proportion of working-age people in formal paid work fell in all countries during the 1990s, particularly in FYR Macedonia and Serbia and Montenegro (UNICEF 2003). In all countries, however, a significant 'grey economy' grew considerably. The importance of the 'grey economy' as a source of household income is difficult to estimate, although probably large, and is an important area of policy concern.

Low GDP per capita suggests high absolute poverty rates. Comparable information on poverty is hard to come by, however. According to data from recent World Bank surveys, the proportion of people with incomes or consumption below national absolute poverty thresholds (which differ from country to country) varies from about a tenth in Serbia to a third in Albania. Other data also suggest, however, that large numbers suffer considerable hardship. Survey evidence shows that a tenth of people in FYR Macedonia did not have access to safe water in 2000 (UNDP 2001). In Albania in 2000, 15 per cent of rural households had no sanitary means of excreta disposal; nor did 16 per cent of households in Republika Srpska (UNICEF 2000a, 2001a). In Bosnia-Herzegovina as a whole, less than two-thirds of boys and girls aged fifteen attended school in 2000. And less than half of seven-year-olds in Albania attended school. (On both counts of excreta disposal and school attendance, it is worth noting, Serbia and Montenegro performed much better than their neighbours – UNICEF 2000a, 2001a, 2000b).

In all the countries, poverty and its associated problems have strong ethnic and regional characteristics that may have been exacerbated by war and conflict. Indeed, the reduction of inequalities between different ethnic groups within countries has become a key focus of donor efforts. This donor interest can be seen in the Poverty Reduction Strategies of countries in the region, where at least formal emphasis is placed on the participation of different ethnic groups (and other groups, such as refugees and displaced persons) in Poverty Reduction Strategy consultations, and where specific policies to reduce ethnic disadvantage are often proposed,

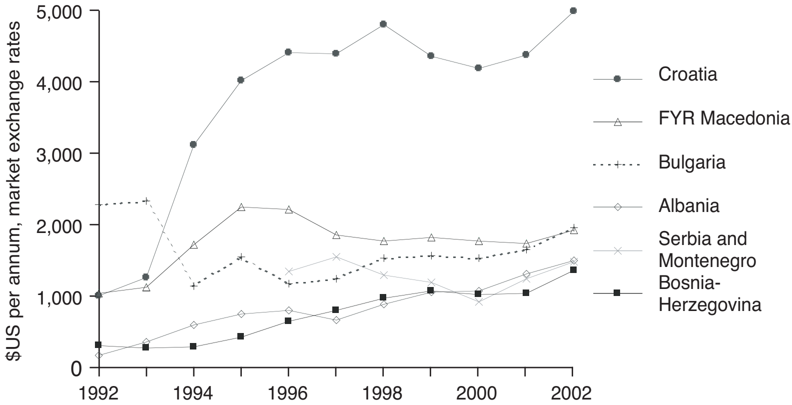

Figure 6.1 GDP per capita ($US per annum, market exchange rates)
***Source*: EBRD (2002).**

albeit in the context of overall policies that may have unpredictable impacts on inter-ethnic differences.

The communist legacy and the 'new feudalism' In their seminal book on globalization and social policy, Deacon et al. (1997) argue that the countries of central and eastern Europe have become testing grounds for new ideas about the organization of society and social policy. All the major international and supranational players – including the OECD, the European Union and UN agencies, as well as the World Bank and IMF – have been attempting in the transition countries to develop their ideas and spread their influence. The adoption of the Poverty Reduction Strategy route by several countries in south-eastern Europe reflects perhaps the emergence of a new consensus among international organizations on social policy in general, and poverty reduction in particular (Maxwell 2003).

But the adoption of Poverty Reduction Strategies also represents a victory for World Bank/IMF thinking. Perhaps the clearest evidence of this victory is the absence of alternative discourses. One clear framework for the development of alternative strategies might have been the conclusions of the Report of the World Summit for Social Development held in Copenhagen in 1995, which arguably assigned primacy to social over economic goals. As this chapter shows, such conclusions have had a marginal influence on policy in south-eastern Europe.

Policy is not, however, being painted on a blank canvas. Rather, whatever was going to emerge from the ruins of communism (and often violent conflict) is influenced by what has gone before. In formal terms, the 'communist legacy' in social policy has often been summed up as a comprehensive, employment-based paternalistic welfare state, with universal health and education services, free at the point of service, considerable enterprise-based welfare (including often superior healthcare), social insurance for contingencies such as old age and maternity, but with no recognized unemployment, and little in the way of extra assistance to lift people out of poverty (Milanovic 1995).

In particular, the employment-based nature of welfare, usually provided by huge enterprises, differentiated communist welfare states from those in the West (Estrin 1994). Given that a key feature of the post-communist reform was the collapse or restructuring of these large enterprises, the ways in which their welfare functions could be replaced (if at all) was very much an open question in the 1990s. While many experts proposed a gradual transfer of responsibility for welfare to the state (see, e.g., Barr 1994), and the development of anti-poverty measures such as universal child allowances and policies to encourage women to remain in employment, the crisis of the transition, and the desire to sweep away the communist past, opened the way for radical cuts, with little political opposition.

The personalized nature of political power, however, arguably survived the transition intact. A nuanced reading of social relations in communist states reveals a strong legacy of patronage and personalism – the conduit through which many welfare and other state services and privileges passed (Burawoy 1992; Verdery 1996; Deacon and Stubbs 1998). Improved access through personal contacts to jobs, consumer goods and public services was a common feature in communist society. In effect, the state became personalized in the functionary or party apparatchik who had the power to bestow these 'gifts' – rule of law was not a feature of communist societies (Estrin 1994). Many people joined the Communist Party in order to cultivate contacts with influential people. With the collapse of the authority of the Communist Party, power vacuums which emerged in several countries were quickly filled by the same networks that attempted to work the communist system to their advantage, or at least to make it more bearable. Verdery (1996) argues that these horizontally organized groupings, while usurping the state's functions (and in many cases the state's monopoly on violence), also sought to mobilize the state on their behalf, for example through preventing or delaying restitution of land, or other reforms that might not coincide with their interests.

Recent evidence suggests that belief in personal contacts as an important means for getting ahead is still present in post-communist societies (Redmond et al. 2002). It is this legacy of communism which is as likely to lead to 'mini-state thinking, patron–client relations, and the increasing power of mafia-like elites' as it is to liberal democracy, the rule of law and the free market (Deacon and Stubbs 1998). Verdery asks: 'What if we were to think, then, of a transition from socialism not to capitalism, but to feudalism?' (1996: 205). Verdery argues further that 'Rule of Law', the application of laws equally and transparently, cannot succeed if the state itself, personified by its politicians, bureaucrats and functionaries, does not uphold it. In failing to uphold the law and in allowing others to usurp its power, moreover, the state is also simultaneously reproducing its own incapacity.

As Verdery argues, the legacy of communism itself was a powerful factor in the 'transition to feudalism'. War and turmoil experienced in Albania and Former Yugoslavia had the effect of weakening state control to an even greater extent than in other countries of central and south-eastern Europe.[5] Transparency International echoes Verdery's argument, suggesting that 'parallel systems' offer semi-legal or illegal ways of gaining access to services or products, and that states are perceived as too weak to defend their citizens, physically or legally (Transparency International 2002).

How are these 'parallel systems' manifest in macroeconomic and social policy? This is a difficult question to address, not least because of the relative inexperience of public bureaucracies in all the countries. Unpredictable or poorly justified policy decisions may represent the outcome of the chaos of transition and an inadequate planning process as much as 'capture' by non-state actors of the policy process. Collapse and enforced reform, state capture and poor-quality administration, however, may also be self-reinforcing. A recent study by the World Bank of the formulation of budgetary policy by the government of FYR Macedonia offers some clues. Overall limits on government expenditure are set every year in consultation with the IMF. Within these limits ministries are allocated budgets. But there is considerable volatility in the policy environment, resulting in tenuous linkage between actual expenditure and formally agreed legislative or policy priorities (World Bank 2002). Such opacity often feeds through to social policies, where policy implementation is designed to favour, or exclude, certain groups. Opacity and unpredictability in final spending decisions, even within overall hard budget constraints, may not be conducive to poverty reduction or building legitimacy. A key concern is therefore the extent to which Poverty Reduction Strategies can move governments towards a more transparent decision-making process.[6]

Poverty Reduction Strategies

The concept of the Poverty Reduction Strategy was approved by the IMF and the World Bank in 1999 as a response to criticisms about the relative failure of previous poverty reduction approaches in developing countries. These criticisms revolved not only around the level of aid and debt relief that international financial institutions such as the World Bank and the IMF disbursed to developing countries, but also the method of delivery of that aid: 'The old model of a technocratic government supported by donors is seen as incomplete. Most development practitioners now believe that aid and policy effectiveness depend on the input of a whole range of agents – including the private sector and civil society – as well as on the healthy functioning of societal and institutional structures in which they operate' (Klugman 2001: 1).

The approach taken up to the late 1990s was 'top-down', and economic development and poverty reduction policies were often quite explicitly donor-driven.[7] Among the major criticisms levelled at the World Bank (not least at the Copenhagen Conference mentioned above) was its 'one size fits all approach' in policy development, and its lack of consultation with people at whom its policies were aimed. Poverty Reduction Strategies sought to address these criticisms with an approach that was:

- country-driven and -owned;
- based on broad participatory processes for formulation, implementation and monitoring of policies;
- results-oriented, focusing on outcomes that would benefit the poor;
- comprehensive in scope, recognizing the multi-dimensional nature of poverty;
- partnership-oriented, with a coordinated approach among government and development partners;
- based on a long-term perspective.

Poverty itself was explicitly seen in a broad context, encompassing not only direct indicators such as income and nutrition, but also capability issues – health, education empowerment and gender equality. The approach to poverty reduction was to be more 'bottom-up' than previous approaches, seeking to directly involve different sectors of society in policy formulation (itself an act of empowerment), mobilizing in the process national support for policies, and improving their legitimacy over the long time it might take to produce noticeable results. Development agencies and international non-governmental organizations were also to be co-opted to improve consistency of approach and the effectiveness of development aid.

Moreover, the emphasis on poverty was strengthened in two ways. First, and most important, the explicit purpose of Poverty Reduction Strategies was, as the name suggested, poverty reduction. Second, there was increased emphasis on the analysis of the causes and factors associated with poverty, including consultation with poor people themselves. This analysis was to constitute a major part of the Poverty Reduction Strategy Paper, form the basis for policy action and set a benchmark against which progress towards poverty reduction targets could be measured.

The formulation of Poverty Reduction Strategy Papers has effectively become compulsory for many developing countries if they are to continue to receive loans and credits from the IMF and the World Bank. Thus, in the period since the first strategy was approved, a large number of developing countries have entered into the process of developing their own strategies. The co-option of international organizations and bilateral development agencies into the consultation process for Poverty Reduction Strategies means that most international aid is likely to be provided in the context of these strategies.

Many experts have broadly welcomed this new approach by the IMF and the World Bank, in particular the explicit emphasis on poverty reduction rather than structural adjustment, and the principles of national ownership and consultation with civil society (Marcus et al. 2002). Duncan and Pollard (2001) stress the long distance that the World Bank has travelled in recent years in terms of its own analysis and understanding of the issues that have led to these emphases. Maxwell (2003) argues that with Poverty Reduction Strategies, the World Bank and IMF are more in touch with development thinking in other international organizations and NGOs than ever before. This is echoed by the active participation in Poverty Reduction Strategies of some NGOs that have been traditionally critical of the World Bank (and continue to be in many areas of its work), such as Oxfam (see Zuckerman 2002).

Numerous criticisms of Poverty Reduction Strategies have also been made, for example that women's or children's issues have been sidelined (UNIFEM 2001; Save the Children UK 2001). The most fundamental criticisms relate to the apparent immutability of key macroeconomic and social policies. The Bretton Woods Project (2003) argues that the 'Washington Consensus', with its emphasis on macroeconomic stability, removal of barriers to international trade, domestic liberalization, privatization, the search for market solutions in the provision of public goods, and a residualist approach to welfare, remains intact.[8] Poverty reduction measures continue to be subordinate to these over-arching goals. This has led to fears that Poverty Reduction Strategies (and particularly interim strategies, often developed quickly in order to gain access to credits) are not genuinely country-owned, but 'a new form of conditionality imposed by the Bretton Woods Institutions' (World Health Organization 2001). These fears are underlined by the reality of World Bank and IMF teams conducting reviews of Poverty Reduction Strategies, and essentially acting as gatekeepers for access to international assistance (Marcus et al. 2002).

Another key concern expressed has been about the sectoral approach of the strategies, where measures in social protection, healthcare and education are often delinked from macroeconomic policies, and little attempt is made to assess the dynamic impact of policies in one sector on outcomes in another. Marcus et al. (2002) argue that in twenty-three interim and final strategies examined by them, there is little discussion of policies to bring about 'pro-poor' economic growth. There is also little attempt to analyse possible negative impacts of liberalization on certain groups, and how to compensate for these with social protection and other policies. This orthodox approach is seen by some as disappointing. For example, the World Health Organization argues that the potential of investment in health as a *driver* of economic growth is not considered in the World Bank's advisory documents for poverty reduction strategies (World Health Organization 2001).

The above two concerns are closely linked to a third, about the nature of public and civil society participation in the production and evaluation of Poverty Reduction Strategies. Genuine and inclusive consultation is extremely difficult to achieve. This is clearly an important issue for the World Bank itself, which invested heavily in participative research in the late 1990s (exemplified by the Voices of the Poor project) and has developed a large literature on empowerment and participation in public decision-making.[9] Yet even in advanced industrialized countries, where public consultation is often limited to specific areas of policy and accountability functions through parliaments and the media, there appear to be few clear models to follow.[10]

These criticisms form the basis of this investigation into Poverty Reduction Strategy Papers in Former Yugoslavia and Albania. How visible are the principles of the 'Washington Consensus'? Are sectoral policies consistent? To what extent are the strategies grounded in genuine public consultation? And how can the strategies be applied in post-conflict and, to paraphrase Verdery (1996), 'new feudal' situations? This is clearly a relevant issue for the countries studied here, and has implications for the choice of both policies to reduce poverty and indicators to measure their success.

Poverty analysis and policy solutions in Poverty Reduction Strategies

Five separate Poverty Reduction Strategy Papers have been, or are currently being, produced in Albania and Former Yugoslavia. Albania and

FYR Macedonia both produced final strategies in 2001 and 2002. Albania also produced a detailed progress report in 2003. Serbia and Montenegro effectively produced two separate strategies in November 2003, which are also final but yet to be assessed by the World Bank or IMF. In March 2003, Bosnia-Herzegovina produced the second draft of an interim strategy. In this section, four elements in the strategies are examined: poverty analysis, privatization, labour market policy and social protection.[11]

Before analysing the papers in more detail, it is worth noting some general points that apply to all of them. First, they are very long documents, one of whose principal aims seems to be the mobilization of international resources. Therefore, they are not written simply for domestic consumption. Second, they tend to present policy priorities as 'wish lists' that are to a large extent dependent on external resources – they do not always highlight priorities for the allocation of domestically generated resources. Third, they are forward-looking and ahistorical in character. The communist legacy tends to be only briefly (and negatively) discussed. Problems arising from conflict are given more extensive treatment. There is, however, little balanced evaluation of the legacy on which the strategies are built. Fourth, they are all optimistic documents. None offers a strategy to reduce poverty in the event of zero, or negative, economic growth.

Poverty analysis Because of the lack of stability in the region until recently, there has been relatively little research done on poverty and living conditions in Albania and the southern countries of Former Yugoslavia. With the development of Poverty Reduction Strategy Papers, this is beginning to change. All the countries examined here recently completed living standards measurement-type surveys. Most have recently carried out censuses. The advantage of such recent and detailed data is that they provide a benchmark – a basis for calculating the proportion of the population in poverty, and implicitly a target for the reduction in this proportion as a result of the Poverty Reduction Strategy.

The poverty analyses associate poverty with large families, old age, low levels of education and unemployment. Across all countries, reduction in unemployment is seen as a major priority for poverty reduction. In some papers (for example the Albanian papers), people in rural areas are identified as being at great risk of poverty. In others, issues of gender, ethnicity (including the particular vulnerability of the Roma people to poverty) and refugees or internally displaced persons are highlighted.

The picture of poverty across the region is therefore quite comprehensive. Several of the papers also show consultation exercises as being important in raising issues relating to vulnerable groups. Proposals for specific action to reduce poverty, however, do not always accord with priority to vulnerable groups. The Macedonian paper is an example, where proposed plans make little specific mention of them (this may be deliberate, as the Macedonian paper in general avoids making specific commitments). The Montenegran paper proposes special measures for disabled persons to improve their access to the labour market, but little for other groups. It does, however, make specific proposals for the education of Roma children and for the supply of clean water and sanitation to informal settlements where many of the poorest people (including Roma and displaced persons) live. The Serbian paper also frequently cites the need for special policies to help Roma and displaced persons.

Privatization Arguably, the macroeconomic framework is the main determinant, not just of the pace of economic growth, but also of its distribution to all parts of society. All five papers discussed in this article trumpet privatization of state assets and public services as prerequisites for economic growth and poverty reduction, but do not attempt to analyse the relationship between the two. The Albanian paper generally separates discussion of privatization from discussion of poverty. The Macedonian and Serbian papers acknowledge that the costs of privatization can include increased hardship, mostly through increased unemployment. Potential linkages between privatization or marketization of public services (including healthcare, energy, water and sanitation) and poverty are not rigorously explored. A case in point is the Serbian paper, which proposes metering and increased charges to ensure that the water supply system is financially self-sustaining. It also states the importance of ensuring a clean water supply to people living in urban slums, including Roma, refugees and displaced persons. It does not, however, suggest any specific policies to help disadvantaged people to pay the proposed increased water charges (although it does make a vague commitment in the case of electricity charges). The Montenegran paper, on the other hand, does propose direct subsidies to help poor households cope with both increased energy and water prices.

The Albanian Poverty Reduction Strategy is further advanced in terms of implementation than those of the other countries, and offers another perspective on the relationship between privatization and poverty reduction. In the original Poverty Reduction Strategy of 2001, social reforms were to be financed partly through economic growth, and partly through the proceeds of privatization. In 2002, economic growth and privatization proceeds were both lower than anticipated, and public expenditure on health and education actually fell as a percentage of GDP, resulting in the failure to implement many programmes envisaged in the original paper.

Employment policy Employment growth is the motor of poverty reduction, and policies to increase employment are a central plank in all Poverty Reduction Strategies. These policies usually aim to be consistent with the overall macroeconomic goals of achieving growth through market liberalization and private sector growth. Some strategies acknowledge a special role for both business organizations and trade unions in formulating labour law.[12]

In most strategies, proposed new labour laws enhance employers' ability to hire and fire, deregulate wage setting, remove restrictions on short-term and temporary work, reduce severance pay, promote enterprise-level bargaining and increase active labour market schemes for the unemployed. These measures are sometimes supplemented with special measures to help high-unemployment groups, such as Roma, disabled and displaced persons. In Serbia, a new law to regulate benefits for unemployed people is proposed.[13] In Albania, strengthening of employment services to unemployed people is given priority. And the Macedonian paper argues against a national minimum wage:

> In the period of the ongoing microeconomic restructuring, a more intense policy regarding minimum wage is unacceptable. The determination of minimum wage may have negative effects in the process of microeconomic restructuring and ensuring the more rational allocation of labor resources, directed towards their engagement in more productive objectives. Hence no legal determination of the minimum wage is envisaged, since this would cause more negative than positive effects. Protection of the poorest workers and their families should be performed by the social policy measures. (Government of the Republic of Macedonia 2002: 21)

In all countries, the regulation and taxation of informal work are seen as a key policy challenge. The Bosnia-Herzegovina paper estimates that 40 per cent of all employees work in the 'grey economy'. In general, the solution promoted across all countries is the same: greater deregulation of formal employment (for example, through reductions in social insurance contributions or easing hiring and firing restrictions) is intended to encourage more employers and employees to transfer from the informal to the formal, taxed sector.

Social protection While all countries envisage that most people will be lifted out of poverty through employment and earnings growth, the subsidiary role of targeted social protection in relieving poverty is acknowledged. In both Serbia and Montenegro, proposed policies centre on improved targeting of existing systems. Measures include stricter means testing of recipients of social protection, and efforts to improve take-up among vulnerable groups. In both countries, the children's allowance is now means tested. In Montenegro, subsidies on basic food products were dropped in 2001, and eligibility requirements for child allowances were increased, while payments of means-tested family income support were made more generous. The Montenegran paper notes that the number of children in respect of whom child allowance is paid fell in recent years from 152,000 to 13,000. In Serbia, the welfare system is being rationalized, so that benefit levels are now determined nationally, and not at the local authority level, as was the case previously.

The Macedonian Poverty Reduction Strategy Paper argues that most poor people in that country are already welfare beneficiaries. It also implies, however, that targeting is poor. For example, it states that many welfare recipients are engaged in informal earning activity that is not taken account of in the determination of benefit levels. But at the same time, it also argues that benefit levels are generally inadequate.

Albania, on the other hand, places less emphasis on the micro-targeting aspects, and more on improving knowledge about poor families, and on seeking to increase coverage of social protection among them. In Albania, much emphasis is placed on the identification of social and economic priority groups and their distribution across the country, so that the size of block grants to local authorities for social assistance purposes reflects the depth of poverty in different districts. Currently, this information is not available. Within district areas, social assistance is often well targeted at poor families, but across the country government grants to local authorities are poorly targeted in terms of need (Alderman 1998; UNDP 2002).

In Bosnia-Herzegovina (and especially the Federation BiH entity), social assistance is delivered not only through the cantons and municipalities, but is also directly funded by them. Thus, those cantons with the best revenue flows (invariably the richest) are best able to afford to pay social assistance benefits, while the poorest cantons can afford little. This problem is shown most starkly in the case of child benefits. In Federation BiH, about 38,000 children were receiving child benefits in 2000. Of these over 36,000 lived in Sarajevo canton. In eight out of ten cantons, no child benefit was paid at all owing to lack of funds (Birks Sinclair and Associates 2002).

Yet in Bosnia-Herzegovina, too, where social assistance benefits do not reach a large number of people for whom they are intended (and this is clearly recognized in the Poverty Reduction Strategy Paper), there is a strong concern with surveillance and targeting, to 'prevent multiple exercising of social and other rights in the case of displaced persons and refugees', and 'to conduct continuous revision of the existing social protection beneficiaries' (Council of Ministers, Government of Bosnia-Herzegovina 2003: Sectoral Priorities – Social and Pension Policy, Section 4.6).

Public participation and the 'Washington Consensus'

The review of Poverty Reduction Strategies in the previous section suggests two conclusions. First, poverty analyses for all countries appear to focus to some extent on the need for inclusion, particularly of those groups with whom poverty is often most associated for example, Roma or displaced persons. Second, proposals for privatization, and for reform of employment and social protection, show a strong orientation towards the principles of the 'Washington Consensus'. All the papers argue that deregulation is essential to economic growth, but are less clear about the potential impact of these policies on wage inequality or poverty reduction (increased flexibility implies the possibility of wage cuts or adverse changes in conditions). For example, the employment of mothers, important for the reduction of child poverty, but often difficult to reconcile with labour market deregulation, is little discussed. There is also little discussion of market liberalization and inequality. With economic growth, inequality could go up as well as down, making the job of poverty reduction harder than intended.[14]

Emphasis in the papers on targeting and surveillance in social protection policy also fits within the framework of the 'Washington Consensus'. Moreover, while macroeconomic and labour market policies generally propose *deregulation*, the increased role of targeting in social protection suggests a degree of increased *regulation* of poor people to ensure that public help goes only to those defined as the neediest. The necessity and the feasibility of this increased regulation (long a controversial issue in Western welfare states) are not discussed in any of the Poverty Reduction Strategies. And while the necessity to uphold human rights (and indeed to increase take-up of allowances by disadvantaged groups) is promoted in several of the papers, potential linkages between surveillance and oppression, or between targeting and take-up, are not considered.

Esping-Andersen argues that 'the welfare state is not just a mechanism that intervenes in, and possibly corrects, the structure of inequality; it is, in its own right, a system of stratification. It is an active force in the ordering of social relations' (1990: 23). Means tests and surveillance can be used to effectively exclude minority groups from receipt of entitlements. This need not be the case, but in divided societies a strong state is needed to resist such impulses. If the 'new feudalism' thesis discussed earlier proves to be well grounded, then well-placed functionaries, rather than anonymous bureaucratic rules, may raise barriers for people who are already socially excluded. Such issues are not raised in the papers in any form.

How is it that all five Poverty Reduction Strategies propose very similar policies across the four areas examined in this analysis? Should public participation have resulted in more variation in policies? It is not apparent from the papers themselves what role public participation played. The papers describe consultations that took place and sometimes the participants in them, but not how these consultations link directly to the policy-making process. This is seen most clearly in the case of the Albanian paper, which is farthest advanced. A World Bank/IMF report notes that consultations in that country ' … indicated a disconnect between central Government actions and perceived results in the regions, caused either by time lags or faulty implementation, pointing to the importance of participatory monitoring and evaluation' (IMF and International Development Association 2003: 6–7). If the example of budgetary planning in Macedonia cited in Section 1 above applies in other countries (there is currently no evidence on this) then it is possible that such disconnects are replicated throughout the long journey from consultation to outcome.

What does public participation in the Poverty Reduction Strategy process mean, and what can it achieve? It has already been noted that the World Bank has struggled with the notion of participation of civil society in policy-making, and that it has been applied only in limited ways in most advanced industrialized countries. A study of civil society participation in the Poverty Reduction Strategy process in Bolivia highlights such limitations. Molenaers and Renard (2003) suggest that while participation was regarded by the World Bank as successful and effective in Bolivia, it was in fact confined to limited areas such as social welfare, rather than the big questions of macroeconomic reform, which would ultimately determine the 'winners' and the 'losers' in the whole process, and the resources available for social policies. Owing to the sparse information on the nature of consultation with civil society carried out in the countries studied here, it is difficult to determine the influence of civil society on the final documents, or on the policy process.

But this is not to say that participation would have been wasted. Even if civil society participation is confined to social policy, the process of consultation may be important in terms of setting expectations for the future, and in terms of holding governments to account over the progress of Poverty Reduction Strategies. As Molenaers and Renard argue, 'It might thus be that government talking with civil society should in some cases be treated as an aim to be met as part of the PRSP, rather than as a precondition to commencing work on the PRSP' (ibid.: 156).

Conclusion

This chapter has underlined the difficult circumstances under which Poverty Reduction Strategies are being implemented in four countries in south-eastern Europe. The relative weakness of these states and their uncertain legitimacy may push them into producing plans that look similar in several dimensions, and accord quite well with the 'Washington Consensus', in spite of a proclaimed intention of country ownership. Nevertheless, the potential benefits of countries engaging in a Poverty Reduction Strategy process are twofold. First, the strategies present long-term plans for economic development and poverty reduction – both desirable and necessary. Even superficial engagement with civil society raises the possibility that if targets are not reached, governments may be called to account. Second, even if debates are constrained, the consultation processes embodied in Poverty Reduction Strategies do open up the possibility for stronger civil society organization, and more participative government in future years.

It is important to point out, however, some senses in which the strategies are not coherent. First, there is often little attempt to make sectoral policies consistent, or to predict the impact of policies in one sector on outcomes in another – for example, the effect of labour market deregulation on some people's employment and earnings. There also appear to be no contingency plans if the expected levels of economic growth do not materialize. Will social expenditure be cut back (as happened in Albania in 2002), or will other more pro-poor responses be possible?

The second sense in which the strategies appear to lack coherence is in relation to the heritage of communism, conflict and ethnic and regional diversity on which they are building. While this heritage is explicitly recognized, and in some documents (notably that of Bosnia-Herzegovina), human rights are stated to be the basis of all policy action, policies may themselves exacerbate differences and outcomes. The example noted in this article is the targeting of social protection. As Esping-Andersen (1990) argues, welfare states are themselves systems of stratification – none more so than those based on the principles of 'less eligibility' and selectivity. There is a real danger that minority groups, already disadvantaged by their lack of access to power under what Verdery (1996) characterizes as the 'new feudalism', will be doubly discriminated against by welfare systems that seek to monitor and exclude, rather than enhance well-being.

Notes

1 The analysis carried out for this chapter was based on work undertaken as part of the MONEE project of the UNICEF Innocenti Research Centre, supported by UNICEF offices in central and eastern Europe, the Common-

wealth of Independent States and the Baltic states region. Disclaimer: The statements in this article are the views of the authors and do not necessarily reflect the policies or the views of UNICEF. The designations employed in this publication and the presentation of the material do not imply on the part of the United Nations Children's Fund the expression of any opinion whatsoever concerning the legal status of any country or territory, or of its authorities or the delimitations of its frontiers.

2 The Province of Kosovo, while formally still part of Serbia and Montenegro, was in practice administered as a UN protectorate after 1999. The situation of Kosovo is not considered in this analysis.

3 FYR Macedonia developed its Poverty Reduction Strategy independently of World Bank or IMF assistance or pressure, however.

4 Bulgaria is often seen as a 'slow reformer' in the post-communist years, with little privatization, or other attempts to introduce market reforms (see EBRD 2002).

5 Armed conflict in Moldova arguably had a similar impact in that country. The same applies in the case of several countries in the Caucasus and Central Asia. Croatia, on the other hand, despite being involved in a violent conflict, did not experience the same level of turmoil during the 1990s.

6 For a further discussion of this important point in relation to CIS countries, see Betley (2003).

7 Duncan and Pollard (2001) provide a useful succinct history of the Bretton Woods institutions' approach to development support, and theories underpinning them.

8 The 'Washington Consensus' is not a formal document or agreement, but rather a set of principles that appear to have been informally agreed between the World Bank and the IMF in the late 1980s as a framework for development aid, originally in Latin America, but later in other parts of the world. The principles included: fiscal discipline; redirection of public expenditure priorities towards health, education and infrastructure; tax reform; interest rate liberalization; a competitive exchange rate; trade and investment liberalization; privatization, deregulation and secure property rights. See Williamson (2000); also ch. 1 (note 3) in this volume.

9 See <www.worldbank.org/participation>.

10 A sometimes quoted exception is that of Ireland, which, between 1987 and 1993, developed five 'social partnership' agreements between government, employers, trade unions, farmers and a range of civil society organizations, which were gradually broadened in scope from the goal of stable economic growth to the achievement of poverty reduction targets. See World Bank (2003).

11 The Poverty Reduction Strategies discussed in this section are: Republic of Albania, Council of Ministers (2001, 2003); Council of Ministers, Government of Bosnia-Herzegovina (2003); Government of the Republic of Macedonia (2002); Government of Montenegro (2003); Government of the Republic of Serbia (2003).

12 The role of trade unions in framing aspects of new labour legislation

is also noted in the Poverty Reduction Strategy paper for Bosnia-Herzegovina. Moreover, in spite of their virtual absence from the paper itself, some experts in Bosnia-Herzegovinato to whom the author has spoken suggest that the trade unions provided an effective voice in discussions about Poverty Reduction Strategies in that country.

13 Few details of this proposed law are included in the Poverty Reduction Strategy Paper. An earlier draft of the paper, however, discusses the development of 'contractual' relationships between unemployed people and the Employment Service after two years of unemployment, which aim to encourage the long-term unemployed to take any available job that they are offered (Government of the Republic of Serbia 2003).

14 It is worth noting that the assumption that economic growth will cause poverty to decline is backed up by a considerable literature, much of it from the World Bank itself (see, e.g., Adams 2003). There is also a considerable literature that shows, however, that sharp inequality increases have accompanied economic growth in several transition countries (UNICEF 2001b).

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7 | The poor, excluded and transition losers in the south-eastern European transition economies

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From the beginning of the transition to a market economy in 1989, it was clear that the process would generate inequality. Indeed, it was obvious that all aspects of economic inequality were likely to increase and, furthermore, that poverty was likely to emerge. While scholars drew attention to this early on (see Atkinson and Micklewright 1992; Milanovic 1997; Coricelli 1998), the research produced under the auspices of the international financial community largely neglected this aspect of the transformation until the late 1990s (see EBRD 1999 *Transition Report* or World Bank 2000a). Now, after more than a decade of transformation, it is equally clear that all aspects of this process were seriously underestimated, both with regard to size and importance. Indeed, they probably continue to be underestimated, especially with regard to their influence on the still ongoing transformation and its future course. While this remains the dominant trend, some recent research, for example UNDP (1999), World Bank (2000a) and UNECE (2004), may indicate an increasing awareness regarding the importance of inequality and equity related issues.

This chapter discusses the size and consequences of the transformation in terms of economic inequality and poverty in the limited context of the Mediterranean economies in transition, which have been expanded to include Romania and Bulgaria. This 'region' (as it will be referred to in the rest of the chapter) was chosen for two reasons. First, it includes all economies often grouped into the 'southern tier' transition economies (a group of economies whose transition has many common general features which overshadow the significant differences). Second, this regional demarcation includes the most successful economy in transition (i.e. Slovenia, which is neither a 'southern tier' nor a Balkan economy, but is Mediterranean), which can serve as a kind of benchmark. Thus, the 'region' considered in this chapter includes, in alphabetical order, the following eight countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia, Serbia and Montenegro, Slovenia and Romania.

The chapter is divided into four analytical sections and a concluding one. The first sets the stage for discussing inequality and poverty in the region by briefly concentrating on two topics: (a) the general causes of inequality and poverty generated during the transformation and (b) the region-specific causes of rising inequality and poverty. The second section provides empirical data on inequality and poverty changes in the region since the 1990s. Given the lack of available data, this section will also indicate the importance of theory and conjecture as an unavoidable substitute for 'hard data'. The next two sections are key ones. The third offers an explanation of region-specific inequality and poverty generation and its consequences. These are presented in terms of equity issues and social capital. The fourth and final analytical section brings together the analysis of the first three sections and attempts to indicate how issues related to poverty and inequality in the region have led to path dependency and what its influence will be for future development. The concluding section summarizes the main findings, namely that inequality and poverty are major contributors to the constraints faced by all except one of the region's transition economies; that this constraint makes these economies, still today, not only macroeconomically unstable but also unstable in terms of democratic consolidation; and that issues related to inequality and poverty may very likely have a major impact on keeping the region's economies on an unfavourable ('second best') transformation trajectory.

Transformation-generated poverty and inequality: theoretical considerations and 'stylized' facts

In spite of the differences in initial conditions (with some attributing these conditions as the main determinants of later events; see, e.g., World Bank 2000a) and the large variety of transformation policies adopted over the first thirteen years of transition – the variety of policies is truly great; see, for example, Roland (2000) and annual EBRD *Transition Reports* – the similarities among transformation economies are striking with respect to economic inequality and poverty. The transformation, among other things, is a process that aims to fundamentally change a society's notion of equity and the basis for generating inequality. This change also implies a lasting long-term increase in inequality levels and quite dramatic policy-generated changes in the short run. Along with this policy-generated (and thus intentional and policy-supported) change, however, there were 'uncontrolled' increases in inequality, as well as the emergence of visible poverty and social exclusion. The 'social engineering' of the transformation simply could not be managed, so in many aspects there were unexpected, unpredicted and uncontrolled developments and various pathologies. This is certainly true with respect to inequality and equity: with regard to inequality, its increase was much greater than expected and visible poverty and social exclusion emerged; regarding equity, the size of the increase, the unwanted poverty and exclusion and the widespread importance of pathologies strained the policy consensus and its equity base.

The conscious and policy-generated increase in inequality can be seen by looking at the main policy paradigm applied in some form in all transition economies. The three pillars of the 'grand' policy paradigm – comprising liberalization, privatization and multi-party democracy, along with supporting policies known as the 'Washington Consensus' policies – change economic inequality and everything related to it in a fundamental and lasting way. This is true for the Type I (Washington Consensus) policy package, which concerns only the three pillars, and also for the Type II policy package, which expands the first pillar to include institution-building and institutional capacity (see Stiglitz 1999). Furthermore, this is true not only for the policies derived from this paradigm but also for macroeconomic stabilization policies, which are the main economic policies supporting the trinity, and which on their own account have a significant short-term impact on inequality and poverty-related issues.

Stylized facts This policy paradigm was attempted in all twenty-seven economies in transformation with surprisingly similar outcomes for inequality and poverty. The actual policy measures implemented and their stability varied, as did the resulting processes, outcomes and social costs. At one extreme, the transformation is now completed in the ten EU 'eastern enlargement' countries, but it is only in its initial stages in some Central Asian ones. The economies of the region, with the exception of Slovenia, are generally ranked behind the front runners but ahead of the CIS economies, as indicated, for example, by the World Bank (2002a) or various EBRD *Transition Report*s.

Thus, the striking similarities regarding inequality and poverty are sufficient to allow us to propose the following 'stylized' facts. They do not appear in the literature as such but have been derived from various sources in the relevant literature (e.g. Milanovic 1999; UNDP 1999; World Bank 2000a; EBRD 1999). We feel that they capture the common threads in the inequality-equity-exclusion experience of transformation economies. These 'stylized' facts are:

1 inequalities during the transition initially increased significantly and later decreased or at least stagnated as the scope for quasi rents and predatory capitalism receded;
2 some of the changes were desirable while others may have been the result of transition pathologies;

3 the pattern of change was determined by the various social deficits, their size and speed, and way they were 'filled in';
4 sources of inequality changed during the transformation; initial changes were influenced by labour incomes and later by income from assets;
5 changes led to poverty increases with some social groups excluded from the benefits of transition, both in the short and the long term;
6 the effects of the pathologies can vary and lead to a 'winner's curse' blocking later reform development;
7 the initial increase in inequality is largely a result of polarization and major changes in the middle of the distribution, and also implies a change of shape in the distribution;
8 the nature of the rise in inequality, poverty and exclusion during the initial stage of transformation led to lasting, equity-related policy consequences.

Of course, in any given economy or group of economies these stylized facts may have been differently reflected.

Transformation-generated inequality and poverty in the region

This section builds upon available empirical data and attempts to reinterpret them in a new way. Hitherto there has been no article (or book) that exclusively concentrates on inequality and poverty issues in the region, and especially not from the viewpoint taken in this chapter. The reason for this is not only the relative lack of reliable data (research seems to be concentrated first in areas where more data are available), but also a lack of interest: the European Union (EU) candidate countries, because of their future membership, and Russia, because of its size and importance, have attracted most of the research funding and interest. This seems to be changing, since in the late 1990s the social aspects of the transformation steadily gained prominence, as did the region. Even though there is still not enough data or research for conclusive evaluations, inequality and poverty in the region are no longer lacunae of ignorance.

The hitherto published data on poverty and inequality are largely a result of the work of international organizations treating all economies in transition. More interest in inequality and poverty was expressed in the EBRD *Transition Report*s for 1997 and 1999 (which devote special annexes to the issue) and two UN publications: the very valuable yearly *Social Monitor* of UNICEF's MONEE project, which includes the best collections of relevant statistics, and the UNDP country and summary *Human Development Report*s (e.g. UNDP 2003). Then there are, of course, the World Bank publications – *The Atlas*, *World Development Indices* and *World Development Report*s

– which all take a wider view and occasionally, as in 2001, devote a chapter to poverty and inequality generally, while still presenting valuable data for the region. Arguably the most valuable World Bank publication on the topic is *Making Transition Work for Everyone* (World Bank 2000a), but this report takes a wider view and gives no special emphasis to the region in question. National statistics have very partial data and only for selected years. There are very few papers dealing with individual economies.

Initial inequality and poverty conditions of transformation With respect to economic inequality and poverty, the transition in the region originated with two substantially different sets of circumstances. In Yugoslavia, and thus in its five successor states, the transformation started in 1989 in a crisis-ridden economy with the following features: loose indicative planning (thus without central planning); limited markets (a regulated exchange rate and regulation of some prices with limited competition in goods and services, and only quasi markets for capital and labour, including only recommended wage differentials); limited private property (a ceiling on landholding, and private firms limited by employment, with other productive resources socially owned); and workers' self-management (implying wide-ranging firm independence and significant investment activities and determination of skill differentials). For the remaining three economies of the region, the transition started in 1990 in economies with rigid central planning (determining, together with everything else, skill differentials and prices) and no private ownership of productive resources, no overt private entrepreneurship, full employment (regardless of efficiency considerations) and high levels of autarchy. As a consequence of this the availability and reliability of data for the pre-1990 period are quite variable. While there are virtually no reliable data for Albania and Romania and few data for Bulgaria, the data for Yugoslavia's successor states are ample, as is the research from domestic and foreign scholars; there are even two World Bank country studies – Dubey (1975) and Schrenk et al. (1979). In spite of this the pre-1989 inequality-, poverty- and exclusion-related data should be treated with caution. The calculations of the Croatian Gini provide an example. Nestić (2002) proposes a compromise Gini of 0.234 while the World Bank (2000b) calculates a Gini of 0.36. The Nestić (2002) calculation seems much more in line both with earlier measurements (see Bićanić 1988). Other Ginis calculated for the same period include FYR Macedonia, 0.20, and Slovenia, 0.219 (see UNDP 1998, which incorporated the transition-generated increase).

These two different starting positions implied that in Yugoslavia and its successor states there were relatively higher initial inequality levels

TABLE 7.1 Initial transformation conditions (1990 values)

Country (population in millions)	GDP per capita (exchange rate, euros)	GDP per capita (Purchasing Power Standards, euros)	Registered unemployed as % of the labour force	Employment in millions (in brackets, as % of employment in 2000)	Exports in billion euros (in brackets, as % of the exports in 2000)	Average monthly gross wage (euros)
Albania (3,287)***	–	–	9.5*	–	–	–
Bosnia-Herzegovina (4,457)***	–	–	–	–	–	–
Bulgaria (8,718)	5,206	4,760	1.7	4,097 (137)	10,560[1]	378 (329)
Croatia (4,778)	4,080	5,850	14.1**	1,568 (117)	3,162 (65)[2]	333 (52)
FYR Macedonia (2,028)	1,734	3,860	23.4	0.523 (95)	0.874 (61)[2]	222 (132)
Romania (23,206)	1,189	5,230	1.3*	10,840 (126)	4,537 (40)	109 (76)
Serbia & Montenegro (10,529)	2,118	n.a.	20.3	2,707 (121)	4,568 (253)[2]	277 (164)
Slovenia (1,998)	6,844	9,900	5.8	0.924 (111)	3,244 (34)[2]	707 (76)
Average or total (excluding Slovenia)	2,865 (average)	4,925 (average)	–	19,735 (total)	23,701 (total)	338 (average)

Notes: 1 Owing to accounting changes the ratio cannot be calculated 2 The 1990 data exclude inter-Yugoslav republic trade, which in 2000 was included in international trade

Sources: WIIW 2003. Also: * data from UNECE 2003; ** data for 1991 from UNECE 2003; *** data from UNICEF 2003.

(both with regard to income and wages), existence of poverty (for which no statistics were kept but over 1 million workers emigrated to find employment in Europe), unemployment – registered unemployment rates in constituent republics in 1989 ranged from 4.7 per cent in Croatia to 23.5 per cent in FYR Macedonia (SZS 1990) – and lower levels of social exclusion (in spite of a one-party state, conditions were less harsh than elsewhere). This inequality was generated by larger skill differentials within quasi labour markets (but with differentials still below levels in western Europe or comparative economies), limited private ownership and entrepreneurship and, finally, open unemployment and extensive reliance on worker remittances (Milanovic 1997).

What all these economies did share were high levels of social entitlements. In comparison with similar countries there were very high levels of provision of public goods (health, education and security, but certainly not democracy) and high levels of support for women (childcare, wide-ranging opportunities for employed mothers with children, high levels of female employment). Moreover, generally speaking they offered their citizens low levels of uncertainty (providing lifelong employment), except for the entrepreneurially minded or politically different.

Some of these aspects are reflected in Table 7.1. These data are important in the sense that they may provide a benchmark for later comparisons and are also an important ingredient in the formation of expectations.

Costs, inequality and poverty generated by the transformation In spite of these differences in starting positions, there were many similarities which became clearer as the transformation unfolded and the region's economies increasingly came to be grouped together as the 'southern tier'. In comparison to the benchmark values of Slovenia – which is the transition front runner and an interesting case of a non-prescription success based on consistent gradualism in all areas – all the economies of the region had a more unstable (inflation, government deficit), more costly (fall in production, level of recovery, years of rising unemployment), and longer (the crises lasted longer and the upswing started later and was slower) decade of transformation.

The higher costs came with high inequality levels. It is still impossible to determine rigorously the increase in inequality and poverty in the region owing to lack of data and insufficient research on alternative sources. High inflation periods had certainly caused massive redistributions in which the prime losers were pensioners and victims of labour shedding. Many of these social categories fell into full poverty. Countries in the region began to collect reliable data on inequality and poverty which permitted

TABLE 7.2 The economic costs of the transformation

	Minimum GDP, % of 1989 (year in parentheses)	Maximum yearly inflation (%) (year in parentheses)	Years of general government deficit over 3% of GDP	Years of rising registered unemployment rate (in the period 1991–2002)
Albania	60.1 (1992)	236.6 (1992)	11	4
Bosnia-Herzegovina	–	–	–	–
Bulgaria	70.9 (1998)	578.6 (1997)	6	7
Croatia	59.5 (1993)	1,149 (1993)	3	8
FYR Macedonia	70.8 (1995)	1935 (1992)	3	8
Romania	75.0 (1992)	295 (1993)	6	7
Serbia & Montenegro	40.6 (1993)	256 & 1,012 (1993)	6	6
Slovenia	79.1 (1992)	247.1(1991)	0	4

Sources: Columns 2 and 5: UNECE 2003; columns 3 and 4: EBRD 2002.

international comparisons only after the international financial community became interested in these issues in the late 1990s (Croatia provides a good example; here regular, five-year household surveys were stopped in 1988, only to be resumed in 1998 on the basis of international guidelines). The issue of a poverty line is also unresolved. The World Bank US$1 or $2 (in purchasing power parity) per day may be suited for less developed economies, but, with the exception of Albania, the region's economies are middle-income economies and higher poverty lines are more suitable. Indeed, most of the literature (e.g. *Human Development Report*s, country and aggregate) calculates a $4.30 poverty line and measures a relative poverty line at 50 or 60 per cent below the median or average, depending on the country in question (there is no uniformity).

Table 7.3 presents a survey of the available inequality measures found in the literature. Slovenia can be used as a benchmark to show that the current level of inequality in the region is significantly higher than in most EU-candidate economies – the average Gini coefficient for Poland, the Czech Republic, Slovakia, Hungary and Slovenia being 0.278 (UNICEF 2003). Looking at the data compiled by UNICEF (2003) from national sources, some glaring inconsistencies can be seen, including, for example, the 'impossible' jump in Serbia's Gini from 0.273 in 1999 to 0.373 after the political changes; the ambiguity of Croatia's changes calculated by the same respectable source (the World Bank) and recording either an increase or a decrease in various reports; and estimates of some values, as in Republika Srpska, that are obviously too low. In spite of this, however, Table 7.3 clearly indicates that the region's inequality levels are high and that the increase due to economic transformation is higher than in the northern tier (as represented by Slovenia and the Gini average mentioned above).

The choice of inequality measures warrants further comment. With very few exceptions, the literature uses Gini coefficients or deciles (see UNICEF 2003 and various issues of the UNDP *Human Development Report*). While their intuitive value may be great – for example, the Ginis' clear links to Lorenz curves make them easily comprehensible; deciles are easily understood – they both have an unfortunate characteristic. Both measures tend to be more sensitive to the middle of the distribution and not to the tails. The measures are thus less sensitive to changes in the extremes, both at the lower end where the poor are and the top end where the very rich are situated. This is unfortunate for the kinds of economies in the region, i.e. those undergoing massive institutional and sectoral restructuring with significant changes in inequality where the greatest dynamics are at the extremes. A lot of anecdotal evidence from newspapers and weeklies seems to indicate that in the brief decade of the transition, many large fortunes,

TABLE 7.3 Inequality levels

	Income inequality			Consumption inequality			
	World Bank		MONEE				
	Gini*	Decile Q90/ Q10*	Gini	Gini*	Decile Q90/ Q10*	Share of bottom 10% in consumption	Share of top 10% in consumption
Albania	–	–	–	0.27 (1996)	3.56 (1996)	–	–
Bosnia-Herzegovina	–	–	–	–	–	–	–
Bulgaria	0.41 (1995)	6.19 (1995)	0.333 (2001)	027 (1995)	3.40 (1995)	4.5 (1995)	22.8 (1995)
Croatia	0.35 (1998)	3.76 (1998)	–	0.30 (1998)	3.91 (1998)	3.7 (1998)	23.3 (1998)
FYR Macedonia	0.37 (1996)	5.79 (1996)	0.334 (2001)	030 (1996)	4.80 (1996)	–	–
Romania	–	–	0.378 (2001)	030 (1998)	3.62 (1998)	3.2 (1998)	25.0 (1998)
Serbia & Montenegro	–	–	0.378 (2001)	–	–	–	–
Slovenia	0.25 (1997/98)	3.03 (1997/98)	0.246 (2000)	0.28 (1997/98)	3.67 (1997/98)	3.9 (1997/98)	23.0 (1997/98)

* Data for individuals, no equivalence scales

Sources: Columns 2, 3, 5 and 6: World Bank 2000a; column 4: UNICEF 2003; columns 7 and 8: World Bank 2002a.

large even by Western standards, were made whose effect on inequality is not reflected in the statistics. The anecdotal evidence also seems to suggest that initial differences in income flows were translated into major changes in wealth inequality. Initial advantages in income could have enabled bank loans and participation in privatization and mobility, giving these individuals first-mover advantages. These fortunes, however, their size, speed and the circumstances in which they were made, have a crucial influence on equity aspects and the subjective evaluations discussed below.

The data on poverty levels for the region are given in Table 7.4. While one can argue in favour of a \$4.30 per day poverty line, the choice of the relative poverty measure was based on availability.

TABLE 7.4 Poverty levels in the region (mostly 1998–99)

	Absolute poverty* \$2.15 per day	\$4.30 per day	Below 50% of average income	Share of poorest 20% in GDP*
Albania	11.5	58.6	n.a.	n.a.
Bosnia-Herzegovina	24.5**	n.a.	n.a.	n.a.
Bulgaria	3.1	18.2	15.0b	6.7
Croatia	0.2	4.0	9.1a	8.3
FYR Macedonia	6.7	43.9	n.a.	8.4
Romania	6.8	44.5	33.82c	8.2
Serbia & Montenegro	32%*	n.a.	n.a.	n.a.
Slovenia	0.0	0.7	9.5a/17.7b	9.1

Notes: * Headcount based on 1\$ per day at exchange rate; ** poverty line at €2.55 (UNDP BiH 2002); a: the poverty line set at 50 per cent of average income; b: at 60 per cent of average income; and c: 60 per cent of average expenditure.
Sources: Columns 2 and 3: World Bank 2000a (except for Bosnia-Herzegovina and Serbia & Montenegro); column 4: compiled from national Human Development Reports (Slovenia 2002/03, Croatia 2002); column 5: UNDP 2003.

Transformation and changes in the quality of life Important aspects of inequality and poverty levels can be deduced from aggregate statistics reflecting the quality of life. Even though these data are highly aggregated, they are well known to be inequality-, poverty- and development-sensitive. The initial conditions and later transformation-generated changes had a large impact on the quality of life in the countries under discussion. The initial conditions, in accordance with the 'socialist solidarity' principles proclaimed by socialist equity norms, provided the population with high levels of social entitlements. These covered not only the provision of many public goods (for example, security, health and education) but also economic security (employment and pension schemes, housing) and support for working women (by providing both facilities and benefits). As a result, some important welfare statistics had comparatively high values (life expectancy, literacy, female employment, etc.). One must also add that if democracy and freedom are public goods then the region's economies were not good suppliers. There were immense variations in the region, with Yugoslavia (whose decomposition spawned five economies in the region) scoring well in freedom of travel and in its later days being less draconian in other respects, while Romania and Albania, each in its own way, adhered most ruthlessly to their programmes of 'social engineering'. With respect to 'traditional' public goods, however, the system in all economies of the region was unaffordable and resource inefficient (Barr 1999), had equity problems (the *nomenklatura* receiving superior services and many hidden non-pecuniary fringe benefits), and some aspects were prone to corruption (for example, health and housing) and clientelism (fringe benefits, housing, etc.).

But transformation policies, whether intentional (rolling back the state, fiscal reductions, privatization) or unintentional (quality erosion, fund siphoning, human capital depletion), eroded inherited entitlements. While those with private resources could find services in the private sector (for example, health, education, pension funds), the poorer sections of the population felt the full effect of the reduction. A lack of research still prevents a rigorous demonstration of this effect on a comparative level, but anecdotal evidence undoubtedly supports these findings.

Region-specific additional considerations In addition to the initial conditions, the region has one specific and very important feature which distinguishes it from other transition economies. This concerns the wars of the Yugoslav succession, i.e. four international military conflicts spawned by the violent break-up of Yugoslavia in 1991. The conflicts ranged from the 'six-day war' in Slovenia in 1991 to NATO's largest air strikes in its entire history against Serbia in 1999. Even though these wars affected the countries differently, they were all involved and afflicted. The Yugoslav successor states were obviously affected, but so were Romania and Bulgaria, which faced a closed Danube waterway as well as indirect effects of the embargo on Serbia.

Everyone agrees that the wars of the Yugoslav succession in the western Balkans (1991–99) had an important impact on inequality and poverty in the region, but there is almost no research on the topic. There is also agreement that the impact was on both tails of the distribution. The wars destroyed lives and property, depleted savings and generated many displaced persons and refugees. Over time, for those who could not return quickly (as the

Kosovars did in 1999), their fortunes rarely improved. They either remained refugees and displaced persons or found inadequate support on returning, such that significant numbers ended up in poverty and exclusion. The exclusion was not only social but also statistical. The data collection norms are such that refugees are not included, by design, in national statistics, and even displaced persons are treated separately. This severely underestimates the extent of poverty in the successor states. Circumstantial evidence and evidence from the offices for refugees leave no doubt that most refugees are in the lower end of the distribution and probably in poverty. The fate of displaced persons is not much different. They also do not exist statistically (for example, household surveys require a permanent address) and live in limbo between the expectation of return (and the uncertainty and hardship it entails) and frequent exclusion in their place of residence (as the emotions of the conflict and pressures for solidarity fade).

But the wars also significantly influenced the top end. Many large fortunes were made as a direct consequence of the war. Wars also create war profiteers, especially if they are connected with embargoes, as was the case with the wars of the Yugoslav succession. Under such conditions, the nexus of a state with arms runners is very complex, and smugglers can become heroes (and often rich). Again, there is little reliable research. Anecdotal evidence seems to indicate that many large fortunes were made by arms dealers (Croatia was faced with building an army to defend itself while facing an arms embargo, which led to an interesting nexus of politicians and smuggler-heroes), blockade runners (the smuggling of petrol into Serbia and Montenegro from all neighbours is widely known) and outright plunder (by a wide variety of participants), while the war-created lawlessness bred other forms of smuggling (cigarette smuggling is notorious).

Another important aspect influencing the top end of the distribution must be noted. In all the economies (except Bosnia and Herzegovina) the wars ran concurrently with economic transition. Croatia may provide the clearest example of developments that were present in different forms and at different times in all the region's economies. In the example of Croatia, liberalization took place in the midst of institutional deficit and war, while privatization, which was designed to be state-managed, ran concurrently with the war and with the extensive military mobilization of large sections of the population and displaced persons. Of course, a few were well placed to benefit personally, while many were simply excluded from the process.

Subjective poverty and expectations

All the aspects of inequality and poverty discussed so far were linked to the distribution and the different availability of commodities and services to the population, i.e. to the physical attributes of inequality and poverty. There is another important dimension of inequality and poverty, however, that is extremely relevant to the region: subjective inequality and poverty.

Subjective poverty and inequality The special importance of subjective inequality and poverty is to a great extent the result of the general features of the transition and the special course it took in the region. The first is shared with other transformation economies, the latter is region specific and refers to the particular form of crony capitalism that took root (Bićanić and Franičević 2002). In times of complete restructuring of social relations (such as the introduction of capitalism), dramatic changes in the distribution of assets (privatization), sudden emergence of new income flows (through liberalization), unexpectedly large crises (falling welfare) and suddenly increasing inequality levels linked to the emergence of poverty (where the ranking of individuals, groups and regions change quickly and dramatically), it is understandable that these developments should be reflected in the rising importance of subjective evaluations, a more intense reaction to relative changes and increased uncertainty and expectations about the future. Changes in the inequality ranking, subjective poverty and impoverishment are then viewed not only in terms of material well-being but also in terms of social well-being, i.e. in terms of being 'included/includable' or 'excluded/excludable' from social games and opportunities offered by the great post-socialist change.

In this complex field of subjective evaluations, inequality and poverty have a special importance. Of course, this is closely linked to ideas of false consciousness because the individuals concerned may not actually live in poverty or their relative position may not have changed that much. They may compare their lifestyle with some ideal around them (which is very important with rapid increases in inequality and an emerging rich stratum), compare it to their past experience (with their present poorer and/or falling living standards) or compare it with expected changes (and past disappointments).

Viewed in this way, subjective poverty has a wider importance. It seems to be that missing critical link between economic and social reforms and their political legitimacy – a relationship that shows that actors perceive distributional changes not in a static, simple framework of short-term redistribution, when changes can go either way, but rather as something dynamic and more substantial, which implies definite changes in the long term and embraces at least their own children. The underlying process is, of course, a deep social restructuring, a process that is unfortunately not well and systematically researched, when individuals and families define

TABLE 7.5 The subjective evaluation of poverty: ('What do you fear the most in the present?')

	1st	2nd	3rd
Bulgaria	unemployment	poverty	crime
Croatia	unemployment	poverty	crime
Kosovo	unemployment	crime	poverty
Republika Srpska	bad political situation	poverty	unemployment
Montenegro	bad political situation	poverty	unemployment
Macedonia	war, conflicts	poverty	unemployment
Bosnia-Herzegovina	poverty	unemployment	crime
Romania	poverty	unemployment	bad political situation
Serbia	poverty	unemployment	bad political situation

Source: IDEA 2002 (survey: March 2002).

not only their position on the emerging new social ladder but also the opportunities available to climb up in the future. This kind of approach requires that two issues be stressed: one is concerned with policies and the other with politics and legitimacy. Both issues will be discussed in the concluding part of this section.

When analysing people's welfare (or well-being or happiness), mainstream economists mostly tend to shy away from subjective interpersonal comparisons based on individuals' views. In the mainstream paradigm, 'it is assumed instead that the economist knows the answer on the basis of objective data on incomes and prices' (Ravallion and Loshkin 1999: 2). It has been shown by Scitovsky (1976) and others, however, that subjective perceptions do matter, and that they typically run counter to some standard theoretical expectations concerning the relationship between economic growth/income and well-being: 'economic growth – rapid or otherwise – does not raise subjective well-being, even though the cross-sectional relation between well-being and income is positive' (Easterlin 2002: x). Ravallion and Lokshin point to Simon's finding of 'a weak association between income and subjective welfare in the US, and survey evidence since has generally suggested a significant but low correlation' (Ravallion and Loshkin 1999: 3).

The data on subjective poverty and inequality are obviously very difficult to find. Some come from 'hard' data, but it is difficult to determine which are the most relevant in determining subjective values. Other data are

TABLE 7.6 Foundations for pessimistic perceptions

	Real GDP growth 1989–2002 (1989 = 100)	Employment trends 1989–2001 (1989 = 100)	Unemployment rate, 2002 (as % of total labour force)	Long-term unemployment (as % all unemployed)	Workers paying social insurance contributions (as % of labour force)
Albania	113.9	72.3	18.0	–	32.0
Bosnia-Herzegovina	28.0	64.6	–	–	–
Bulgaria	82.9	67.4	16.3	58.7	64.0
Croatia	86.4	82.4	21.5	60.7	66.0
FYR Macedonia	78.5	57.7	42 (2001)	–	49.0
Romania	87.4	97.7	8.1	70.6	55.0
Serbia & Montenegro	49.5	80.4	27.9 (2001)	–	–
Slovenia	117.3	82.3	11.8 (2001)	64.8	86.7
Average (except Slovenia)	75.2	74.6	–	–	–

Sources: Column 2: World Bank 2002b (Table 1.1); column 3: UNECE 2003 (Table B5); column 4: UNECE 2003 (Table B7); columns 5 and 6: World Bank 2002b, Tables 2.4 and Table 2.10 respectively.

collected by questionnaires and must be used with great care, especially when comparisons such as those in Table 7.5 are made.

The data are important in two respects. First, many more people 'feel' that they are in poverty and 'feel' dissatisfied than the actual data on inequality and poverty suggest is justified. Indeed, many feel pessimistic about the future as well, and fear further erosion of their welfare. Second, the subjective poverty evaluation of the population in more than one economy in the region seems to show that even after a decade of transformation subjective poverty remains high.

The paradox of poverty and inequality in the region An interesting aspect of subjective poverty is what relationship it bears to changes in the real economy. If correct, then the data on these subjective perceptions should have some foundation in more robust data; if not, they may indicate a paradox. Looking at the real economy, the possible foundations for pessimistic perceptions and high subjective poverty are given in Table 7.6. Continually high unemployment, persistent trade and budget deficits and the erosion of entitlements could all have an influence, coupled with the high inequality levels discussed earlier.

But apart from indicators that could provide a basis for pessimism, there may be macroeconomic fundamentals that point in the other direction, indicating a major improvement. In the region they include: high growth rates and low inflation rates over a longer period, increasing foreign direct investment (FDI), rising real wages, and no further increase in economic uncertainty. Some of these indicators are given in Table 7.7. They show that the economies have been growing and with them wages and consumption have been increasing, while employment has either been rising or has remained stagnant (the labour force survey indicated that for most the unemployment rate has been falling). All these indicators have a three-year track record and thus do not necessarily reflect a short-term and temporary improvement. To this, one should add major improvements outside the economy, including the increase in democracy, the increased political links with the EU and prospects of EU membership, and the general increase in security in the region since 2000.

But in spite of these unquestionably favourable recent changes, there is widespread pessimism and surveys regularly show that large sections of the population feel poor and do not expect significant improvements in their welfare (e.g. IDEA 2002). The paradox is: why do subjective feelings not seem to reflect economic and other improvements? The paradox is present in the whole region and pessimism seems to be widespread. 'The results of the Balkan Survey conducted by International IDEA in the

TABLE 7.7 Favourable economic changes, 2000–02 (%)

	Average yearly household consumption growth	Average monthly gross real wage growth	Average yearly consumer prices change	Change in unemployment (Labour Force Survey)
Albania	–	–	–	–
Bosnia-Herzegovina	–	–	–	–
Bulgaria	4.6	2.6	7.8	103.0
Croatia	5.1	2.7	4.0*	91.9
FYR Macedonia	1.0	2.4	4.4*	99.1
Romania	2.9	4.4	34.2	118.3
Serbia & Montenegro	-	14.8	63.8	109.5
Slovenia	1.4	2.2	8.3	91.4

*Cost of living index
Source: WIIW 2003.

beginning of 2002 confirm a trend of collapsing expectations and growing disappointment with transition. Albanians are the only optimists for the future' (Krastev 2002: 6). Even if we take into account the differences among countries of the region the above statement, particularly concerning forward-looking expectations (one-year against five-year expectations – the latter tending to be more optimistic), it is true that pessimism is widespread. The importance of the paradox is not purely academic. Its persistence may have negative consequences for economic development, but also for the prospects of future reforms, and the consolidation of their support and legitimacy. The extent of this pessimism is indicated by the data in Table 7.8.

Croatia, in many respects a regional leader, can provide an example of the paradox, even though the data in the third section (especially Table 7.5) indicate that other economies in the region are experiencing the same paradox. 'The gap between the rich and the poor in Croatia is wider than in other countries' (World Bank 2000b: 12). Despite the fact that during 1994–98 considerable economic growth was recorded, as was growth in average real wages (when compared to other transformation economies, and especially those in the region), the subjective evaluations did not change very much – 'the number of people in Croatia who consider themselves poor is high (80 per cent) and dropped only marginally by 1999 compared to 1994 (by 6 per cent)'. This certainly 'indicates deep discontent among the population and reflecting the negative impact of growing inequality on welfare' (ibid.: vi and 13). Less complete research than the World Bank's poverty study

TABLE 7.8 Pessimistic expectations (%)

	Very satisfied	Somewhat satisfied	Neither satisfied nor dissatisfied	Somewhat dissatisfied	Very dissatisfied	Don't know/NA
'Are you satisfied with your present economic situation?'						
Croatia	3.1	29.4	23.3	17.4	26.2	0.5
Macedonia	1.2	19.5	19.9	21.8	37.4	0.2
Montenegro	1.6	20.0	21.9	17.1	36.3	3.1
Bosnia-Herzegovina	3.1	22.0	22.6	17.5	32.8	2.0
Bulgaria	0.2	6.8	10.1	17.7	63.6	1.6
Romania	1.1	16.7	18.1	36.9	26.9	0.4
Serbia	1.4	24.5	22.2	22.6	29.2	0.1
Republika Srpska	2.5	21.5	24.0	19.1	32.0	0.8
Kosovo	4.7	42.6	23.4	12.7	13.6	2.9

	Much better	Somewhat better	The same	Somewhat worse	Much worse	Don't know/NA
'Compared to January 2001 (one year ago), can you say that your present economic situation is:'						
Croatia	0.9	12.2	55.0	20.9	10.4	0.6
Macedonia	1.5	7.7	36.1	29.0	25.3	0.3
Montenegro	1.8	14.3	26.5	26.5	29.3	1.8
Bosnia-Herzegovina	1.3	16.2	49.0	22.1	10.0	1.3
Bulgaria	0.1	4.1	36.8	34.9	23.1	1.0

Romania	1.5	15.9	34.8	31.6	15.4	0.8
Serbia	1.7	28.7	34.6	19.5	15.3	0.3
Republika Srpska	2.2	17.0	36.9	24.3	18.7	0.8
Kosovo	5.3	39.0	36.3	14.1	3.3	1.9
'Over the next 12 months, do you expect the economic situation of your family to get better, get worse or stay about the same as now?'						
Croatia	2.6	30.1	50.3	11.4	2.0	3.6
Macedonia	2.2	26.3	43.2	20.0	7.0	1.3
Montenegro	6.3	29.4	27.7	8.9	11.9	15.8
Bosnia-Herzegovina	2.3	28.0	46.1	8.5	3.6	11.5
Bulgaria	0.2	11.9	38.3	20.5	11.0	18.1
Romania	0.5	26.5	36.2	23.6	4.7	8.5
Serbia	4.9	45.4	31.5	8.6	6.7	2.8
Republika Srpska	2.3	29.5	35.0	15.7	9.7	7.9
Kosovo	10.6	42.9	27.6	5.9	1.0	11.9
'During the next 5 years, what do you think will happen with your economic situation?'						
Croatia	9.6	45.4	23.0	7.8	1.8	12.5
Macedonia	4.4	47.6	23.8	15.0	3.6	5.6
Montenegro	14.2	37.8	8.5	6.7	5.9	27.0
Bosnia-Herzegovina	8.4	40.3	17.0	8.2	1.1	24.9
Bulgaria	2.8	23.4	17.8	7.9	5.8	42.3
Romania	1.3	36.1	26.3	19.7	3.1	13.5
Serbia	13.7	54.0	11.5	7.2	2.7	10.8
Republika Srpska	4.7	35.0	14.0	11.3	8.7	26.4
Kosovo	23.2	46.6	4.0	2.8	0.1	23.3

Source: IDEA 2002 (survey: March 2002) shows the same trend after 2000. Again, relatively high growth rates, wage increases and even the stabilizing of unemployment did not show any major subjective improvement in the population's subjective attitude towards poverty and equity or in terms of more optimism about the future.

In spite of the lack of research throughout the region, subjective poverty levels are much higher than 'objective' calculations seem to imply. Furthermore, the proportion of those who consider themselves 'losers' in the transformation process is greater than one could possibly expect from real data, such as those on growth, real wages, etc. (Krastev 2002).[1] By drawing attention to this paradox, we are far from denying the extent of true poverty and are certainly not denying the need for and value of pro-poor social and economic policies. Framing the issue of poverty in the context of actors' perceptions and normative judgements, however, indicates only that much more may be at stake, and that the issue of subjective poverty might be indicative of much deeper changes and concerns. This is why the issue of its measurement is very important. Standard 'objective' measures of poverty based either on absolute poverty benchmarks (adjusted poverty lines, for example \$1, \$2 or \$4.30) or on relative measuring (relative to a median or average) cannot fully grasp the importance of subjective poverty.

Two critical policy implications

The future of the region, with the exception of Slovenia, is still in many respects unresolved (even when security, political and boundary issues are ignored). It still faces two major all-encompassing and ongoing restructuring processes. The first is the still-unfinished transformation process, with respect to which, and in spite of intra-regional differences, the region as a whole is considered a comparative laggard. The second concerns convergence to the EU standard, which is only just beginning. Both these processes will have a major impact on poverty, exclusion and inequality, actual and perceived. In this respect too the region's future remains unresolved, and major redistribution among individuals, sectors and regions is still in store. But the converse also holds: it is highly likely that poverty, exclusion and inequality, actual and perceived, may exert an important influence on the two processes themselves with regard to speed, sequencing, and possibly even delay and postponement.

Given this double pressure for future change, it seems justified to take the forward-looking view and see how poverty, exclusion and inequality, both actual and subjective, can influence these vital processes, and whether they can act as an accelerator or a barrier. Because of the latter issue, subjective poverty is important. Space allows only a brief discussion of the two major policy implications, which demonstrate the vitally important link between the nexus of poverty, exclusion and inequality and these two unfinished projects. The first concerns the central issue of the legitimacy of the changes, while the second is related to the process of democratization.

Legitimacy of reforms and subjective poverty It is important to realize that the dynamics of poverty and inequality levels, actual and subjective, in transition economies are deeply influenced by the dynamics and nature of reforms. And conversely, and no less importantly, reforms may be strongly influenced by both the impact of real social trends and the various actors' perceptions and interpretations of these trends, i.e. by their moral economies. The moral economy concerns social norms and perceptions, values and judgements that the actors have and make about their individual participation and roles in economic processes, as well as about the nature of the economic system and its outcomes. The moral economy is particularly about equity and justice, fairness and desert, and what is acceptable or unacceptable. Its central role is in providing the economic system, processes and outcomes with legitimacy (for more on this, see Franičević 2002).

The increase in poverty and inequality in the region is taking place concurrently with deep social dislocation and change. Social actors are well aware of them, both in terms of personal well-being and in terms of their children's opportunities and prospects. Not only have some groups tended to be poorer than others, but some groups have (re)discovered poverty, while for others it is their first experience of it (the 'new poor'[2]). Furthermore, this experience is happening in the context of growing inequality, increased 'stresses between the socially excluded and the socially included which may, as in Russia, increase difficulties in governance' (Mosley and Kalyuzhnova 2000: 118). Milanovic, on a number of occasions, stresses the 'hollowing out of the middle' as one of the most important sources of the increase in the Gini coefficient of poverty in transition countries (e.g. Milanovic 1999: 321). Following on from that, he argues that the emphasis should be on the issues of polarization rather than inequality per se (ibid.: 321). If this is true, then an important question emerges. Is it possible that the perception of being worse off is more a subjective reflection of increased polarization (even dualization) of society, rather than just growing inequality and poverty? While it has been quite popular for transformation countries in the region to lament the disappearance of the middle class and the formation of 'hourglass societies' (Blue Bird 2002), there is unfortunately precious little research to substantiate such claims. For all aspects of reform policies – i.e. economic, social and political – this is not just an academic issue.

Concerning policies, if poverty is not only about material deprivation but also about inequality and social exclusion, i.e. if 'the factors which drive poverty are also those which drive inequality and social exclusion' – as is clearly recognized by the World Bank (2000a); see also Mosley and Kalyuzhnova 2000: 119 – if it is also about the loss of social position and status, then policies should be very much concerned with trying to influence social dynamics. They should not simply offer a 'safety net' but should try to influence opportunities and capabilities. Through redistribution, they should deal with issues such as the compensation of losers by winners as well as inter-generational compensation, and they should reduce inequality. This is especially important in the region as, in addition to those who are facing social exclusion for reasons we can find in all post-socialist societies, there are great numbers of those who are not only socially but also physically excluded/displaced. These citizens are largely, but not exclusively, victims of war (Blue Bird 2002; Krastev 2002: 15–16), which only adds pressure to already over-strained public and social policies and funds.

Democratic consolidations and inequality-related issues The legitimacy of reforms in the region is closely linked with democratic consolidation. A lot has been written on the paradoxical nature of post-socialist reforms (for a review, see Orenstein 2001; Franičević 2001). Some of the inherent contradictions of the market-plus-democracy coupling are certainly more pronounced in the region, where economies are all generally lagging behind front-running countries in transformation. Under such circumstances, it should come as no surprise that in many of the region's post-socialist countries there is a low level of trust in political and public institutions, i.e. that there is an erosion of social capital. This is reported by and claimed in many documents published by the international community: see World Bank 2000a; UNDP *Human Development Report*s; and IDEA 2002 for the south-east European (SEE) region. Furthermore, this lack of trust is linked with a higher level of inequality, corruption and policy and state capture. The World Bank reports are now stressing the positive effects of good governance, not only for long-term growth but also for more egalitarian outcomes (through higher social spending and more effective targeting). On the other hand, they claim that both corruption and state capture adversely affect the poor and equality objectives, and have a negative effect on the continuation of reforms, leading to 'stalled reforms' (see World Bank 2000a: 163–70) or to a 'winner's curse'. Some authors question whether the combination endangers democracy and whether it may lead to a legitimacy crisis (Choe 2001: 16).

Within the region, the democratization process seems to have reached an advanced and/or sustainable level only in Bulgaria, Croatia and Romania, while in some countries this has not yet been achieved. Countries are either at the beginning of the process (Albania, Serbia and Montenegro), in a state of political crisis (Macedonia) or are quasi or de facto international protectorates (Bosnia-Herzegovina and Kosovo) (see Gligorov 2002). In spite of the fact that recent opinion surveys (e.g. IDEA 2002) show high support for democracy in the region, Gligorov is right when claiming that 'the future of democracy is [not] in any way assured in South-east Europe' (Gligorov 2002: 9). Democratic consolidation and the legitimacy of democratic regimes and ongoing reforms rely not only on economic and social outputs, but also on people's perceptions and their (moral and equity) interpretations of it. With respect to each, reasons for major concerns remain, as well as major challenges. These challenges stem from serious institutional, democratic and human rights deficits, uncompensated losers and undeserving winners, a continuing strong base for fundamentalist nationalism and inequalities and uncertainties concerning personal and inter-generational developments, as well as inter-regional ones, which are all coupled with widespread pessimism about future expectations. In light of the recent history of wars and inter-ethnic conflicts, a specific concern for the region has been the massive and systemic abuses of human rights, which certainly increased the risk of poverty for particular (minority) groups that face discrimination (MRGI 2003), and more broadly the enhanced risk of 'human insecurity', an issue that was rightly made the focus of a UNDP special report on SEE (UNDP 1999). If these challenges are not met, they may easily lead to a questioning of the post-socialist reform agenda. In dealing with these troublesome issues, the European accession process – and the credibility of it (but conditioning too) – is proving to be particularly important (as may easily be shown in the case of Croatia, for instance, concerning the rights of Serb refugees). This may be critical, particularly if economic growth is not sustained, which, again, is not assured – the basis for modern economic growth is still weak and enjoys low credibility in SEE (Bićanić 2003).

Pressures on the state to revert to a radically changed path may become too strong, and the legitimacy of the whole reform package may come under question if too many feel that they are on the losing side. That such concerns exist is demonstrated by Delhey and Tobsch (2000). In their research on the consolidation of democracy in post-socialist countries, they show that generally 'support for a political regime is more strongly related to social and economic indicators than it is to political indicators'. This is why 'the improvement of individual welfare is a decisive but yet unfinished task for politicians in order to achieve a consolidated democracy' (ibid.:

27). The fact that there does not seem to exist – presently – any viable and/or potentially preferable alternative to parliamentary democracy may be comforting, but should not satisfy us, particularly not in the context of the region.

It is probably true that Krastev is overstating his case when arguing that 'in democratic politics perceptions are the only reality that matters', which leads him to diagnose in the region a 'crisis of democracy' rather than a state of 'unfinished democratization' (Krastev 2002: 6). Perceptions, of course, do matter a great deal: 'they are political reality' (Gligorov 2002). Moreover, they are a window for actors' interpretation of the environment. They are framed with ideologies, mental models and social norms (to paraphrase North 1990) and they are embedded in actors' moral economies. And actors may act on their perceptions, and legitimately so. This is why we believe that high levels of subjective poverty, high inequality and pessimistic expectations are a matter of serious concern regarding the democratic consolidation of the economies in the region.

Conclusion

This chapter has discussed the possible implications of rising inequality and poverty, actual and perceived, in seven south-eastern European economies (five of which are also Mediterranean). It was argued that the increases in inequality and poverty are inherent in the transformation and that the former are part of the pro-transformation consensus. The main policy pillars of the transformation paradigm were based on variations of liberal-democratic world views, and 'Western' culture, and were a profound critique not only of socialist egalitarianism but also of deeper layers of pre-socialist egalitarian traditions quite typical of major parts of the Balkans. Democratization, liberalization and privatization – i.e. de-statization in general – necessarily lead to rising inequalities, in comparison with levels achieved in the socialist era, and the emergence of poverty. The levels in the region were higher than in the other non-CIS transformation economies, however, and took place in a special environment. The unregulated process, with numerous deficits (the institutional, structural and democratic ones being the most important), led to major bonuses for the entrepreneurially alert and gave first-mover advantages which, in turn, led to strong pressures for rent-seeking and policy capture. The sudden and large increase in inequality and the emergence of poverty and uncertainty also led to equity issues and made the subjective and perceived evaluations of inequality and poverty extremely important.

Section four, where policy implications are discussed, showed that the legitimacy of the transformation process remains uncertain and possibly contested in the region. The chapter argues that the continued legitimacy of transformation depends to a great extent on the consequences of rising inequality and poverty, not only in terms of the actual changes but equally importantly of the actors' perceptions and interpretations of the processes involved. It is inherent that this interpretation involves norms, as it is embedded in popular notions of fairness and equity. Filtered through the 'moral economy' of the actors, it affects their behaviour and collective action. This set of circumstances may cause future difficulties in transformation processes and reforms in the region (as well as in other regions) for at least three reasons.

The first results from a conflict between expectations and perceptions, on one hand, and on the other the implicit rules of the inequality 'game' that forms part of the reform consensus. This conflict becomes even more prominent in two cases: (a) when economic growth is not materializing or is insufficient for economic convergence, and (b) regardless of growth, when 'more' inequality simply becomes 'too much' (low growth makes this much worse). Both of these are present in the region.

The second reason occurs if pathological inequalities (in contrast to those inequalities whose expansion is part of the consensus) and poverty combine and are largely perceived as being due to corruption, war profiteering, organized crime, an absence of the rule of law and/or systematic abuses of human rights (generally or in relation to specific ethnic groups). If this is the case, the whole transformation process, and the winners in particular, tend to be viewed as undeserving. As the chapter has attempted to demonstrate, this phenomenon is also present in the region.

The third reason is less a result of perceptions and more of the actual rise in poverty and inequality. The major increase in the region can lead to a 'stalled reform' syndrome in which winners block further transformation, which would ultimately include beneficial reforms for the current losers (the 'winner's curse').

The chapter concludes by drawing up a policy recommendation for maintaining the transformation legitimacy in the economies of the region in view of the above-mentioned dangers. The major challenge of the post-socialist state in the region, then, is not only to address inequality and poverty through growth but, because of the importance of subjective and perceived inequality and poverty, to provide wider scope for policies dealing with equity and fairness, opportunities and well-being. Resolving the legitimacy equation is as important as resolving the problem of economic growth. More importantly, the solution to both may be interdependent to a greater extent than was thought during the early stages of post-socialist transformation. The region's transformation experience clearly illustrates this.

Notes

1 Krastev stresses the phenomenon of 'closet winners', i.e. those who consider themselves to be losers in spite of really being on the winning side. In a 2002 survey of the 'state of society' conducted in Bulgaria, 70 per cent of respondents declared themselves to be transition losers. 'On the basis of the survey, 20–25 per cent of citizens could be considered to be actual winners, but only 5 out of these 25 per cent were ready to identify themselves as winners' (Krastev 2002: 24).

2 A UNDP report on 'Poverty in Transition' includes in the 'new poor': 'youth in search of their first job, the uncompensated or long-term unemployed, retrenched low-skilled workers, farmers, a substantial number of "working poor" and the growing number of refugees' (cited in Mosley and Kalyuzhnova 2000: 118). In some countries, owing to a breakdown of social security systems, many pensioners have also found themselves in poverty as well.

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8 | Dynamics of poverty in Turkey: gender, rural/urban poverty, social networks and reciprocal survival strategies

SIBEL KALAYCIOĞLU

Poverty is a persisting world problem, and given its multi-dimensional and political nature, its conceptualization and measurement continue to be challenging. It is a known fact that economic development does not necessarily eliminate poverty, and countries with different development levels and welfare state policies experience different levels of poverty. Thus, poverty is a major problem for both developed and developing countries, and in Turkey, in particular, this issue has gained in importance since 1990. Various governments from 1990 to 2004 have recognized the fact that poverty is no longer a transitory problem and that it is on the increase. Since 1999, a process has begun to rethink and restructure existing welfare programmes, especially those focusing on poverty alleviation (Şenses 2001; TÜSIAD 1997; Buğra and Keyder 2003).

This chapter discusses the reasons behind rising poverty in Turkey and elaborates on the changing roles of the family and social networks vis-à-vis the role of the state in alleviating poverty. For poverty alleviation programmes to gain importance two aspects should be emphasized. First, an awareness of poverty should begin to be disseminated among the public and within the state itself. Second, a consensus on the indicators of poverty, which may vary in time and space, should be reached by major political organizations and actors within society. As poverty awareness is only a very recent development in Turkey, a consensus has not yet been reached about how poverty can be defined in the Turkish context, its extent, the appropriate indicators and what the major risk groups are. This chapter will provide information on recent poverty schemes within Turkey and will discuss the relevance of some indicators, as well as the dynamics, of poverty mainly on the basis of qualitative research.

The analysis will be based on data gathered through the author's research activities, carried out since 1995 in major cities with high rates of in-migration (i.e. Ankara, Istanbul, Izmir and Mersin, as well as Urfa and Diyarbakır). The main research methodology in these studies has been in-depth interviews and the collection of family, work and migration histories of families that most commonly live in the squatter housing settlements surrounding the metropolitan cities. Some research was also conducted in a number of villages in south-eastern Anatolia to assess the impact of irrigation on human development. In all these research contexts, specific attention was given to women and gender issues. In Turkey, women's participation in the labour force is very low and consequently women's dependency on male income earners and the family is very high; all of which makes women a specific risk group with regard to many social issues related to poverty.

A conceptual framework for understanding poverty in Turkey

An overview of concepts and approaches Poverty is generally defined and measured quantitatively as absolute poverty by planners and policy-makers. Some indicators and measures of absolute poverty commonly used in Turkey are income differences and related levels of food/calorie intake or the sectoral distribution of employment (Dansuk 1997; Erdoğan 1996; SPO 2001). Other approaches to poverty measurement may focus on the duration of poverty among different groups – i.e. whether poverty is experienced as chronic or transitory – or on the socio-demographic profiles of poor households. Such indicators are preferred by planners since these aspects are thought to be the measurable facets of poverty. There is, however, debate among academics over some social and cultural dimensions of poverty that cannot easily be measured but are very important from the perspectives of equality of life chances and human rights. For example, the concept of a 'culture of poverty' is one such difficult concept to capture quantitatively, since it claims that people are poor because they have a different work ethic or cannot develop coping strategies on account of different life views, attitudes and belief systems about work, which may then lead them into chronic poverty (Lewis 1959). This argument has been criticized by many writers on the left as a conservative thesis against the poor. Lewis, however, was attempting to explain the importance of cultural factors and individual choice in the determination of poverty. A similar argument to that of Lewis concerns the poverty cycle of households. It is claimed that there is a close association between various forms of deprivation and poverty; hence, sometimes deprived households may see a vicious cycle surrounding them which makes it impossible for them to be able to break free from poverty. For example, unemployment or employment of a household's main breadwinner in a low-wage job may bring about unstable family relations and problems with child-raising conditions, and thus create obstacles for children to gain a good-quality education, transmitting household poverty on to the next generation. Additionally, some sections of the population, regardless of whether they are living in a developed or underdeveloped economy, may be faced with social and cultural discrimination, resulting in their exclusion from work or hindering access to welfare benefits.

In light of these arguments, the alternative concept of relative poverty, which has gained ground mainly on the basis of a human rights approach, is argued to be more sensitive to understanding the social and cultural aspects of poverty in all cultures. Townsend's well-known definition of relative poverty is useful here: ' … the lack of material resources of a certain duration and to such an extent that participation in normal activities and possession of amenities and living conditions which are customary or at least widely encouraged or approved in society, becomes impossible or very limited' (cited in Øyen 1992). In addition, relative poverty can be defined as deprivation based on a comparison of the quality of life of one person or group with that of another close and attainable reference person or group (Streeten 1994). Within the relative poverty framework, existing norms and values of life standards, comfort and the extent and nature of social and political participation in the particular society should be taken into consideration (Øyen 1992). Such an understanding of poverty is significant in both developed and underdeveloped societies since, even if welfare states could successfully manage absolute poverty problems, relatively poor groups, which may correspond to the lower 30–40 per cent of the population, would always remain. Moreover, even if the general level of welfare in a society has risen, the proportion of the relatively poor still will not have changed (Tsakloglou 1990). When conditions in Turkey are considered, the concept of relative poverty serves as a better tool for our understanding of the social and cultural dynamics of poverty.

In countries like Turkey, where 35 per cent of the population still lives in villages and gains its livelihood from agriculture, this rural context is central to understanding the dynamics of poverty. As in most underdeveloped countries, where agriculture remains a major sector, in Turkey access to resources such as fertile and/or irrigated land and a well-established rural credit system remain important. As elsewhere, however, rural households in Turkey are rapidly turning into small landowners whose produce is below minimum subsistence level, or into agricultural-wage workers employed under inadequate and unhygienic conditions, often in places that are far from their homes (Cardoso and Helwege 1992). The diminishing size of plots owing to inheritance, and the fact that households are crowded with many dependants, creates great differences in the quality of life among rural households. This process is compounded by unbalanced growth, a lack of investment and irrigation, an agricultural production system that is dependent upon weather conditions, the low productivity of exhausted land, high interest rates paid to moneylenders, and increasing debts, all of which reinforce land alienation, proletarianization and urban migration (Das 1995).

Besides these socio-economic causes of poverty, another important factor is the lack of organizational initiatives by the poor, such as the formation of associations to voice their concerns about their limited opportunities or life chances. In this sense, poverty should also be seen as a political problem since the poor cannot become an effective pressure group. This situation holds in Turkey as well, and as I will argue, it is one of the major political implications of the model of coping strategies, which will be discussed later in this chapter.

A final point to consider in the conceptualization of poverty is the level of social spending by governments and the extent and nature of poverty alleviation programmes in any given country. Studies have shown that the amount of poverty reduction effected by social tranfers and the development levels of social security systems are taken to be the main indicators of the level of welfare in a country.[1] In Turkey: ' ... direct transfers from the State (cash or in-kind) constitute a relatively small part of the income of Turkish households. And they constitute a smaller proportion of incomes of the poor than they do for the non-poor' (World Bank 2000: 52). In the same report it is argued that the pension system is the government's main direct transfer programme, which is effective in preventing certain groups, such as the elderly, from becoming poor. In Turkey, however, the majority of the poor (70 per cent) are not covered by any pension scheme as pension programmes depend on having a job in the formal sector. Nor are the majority of the poor covered by medical insurance schemes. Old-age assistance and the 'green card' scheme (see below) are two major government programmes that are directed towards the poor. Both schemes are provided by the Ministry of Health, but to date they have had a minimal effect on the reduction of poverty. In addition, the share of private transfers to household budgets and aid from relatives is also very small, about 10 per cent. According to the World Bank report (ibid.) neither the state nor civil society or inter-family relationships contribute to strong safety nets in Turkey. Nevertheless, given the predominance of extended families, intra-family support systems play the most important role in poverty alleviation.

The formal social security system in Turkey is comprised of the Civil Servants Retirement Fund (CSRF) and a few other social insurance schemes, for example the Social Insurance Institution, which covers private sector employees and blue-collar public sector workers, and Bağ-Kur, which covers the self-employed. Hence, the social security system is fragmented and covers only the approximately 55 per cent of the population that is employed in the formal sector and pays contributions to (mainly 'pay as you go') schemes. These schemes provide both retirement benefits and health coverage for their members. With regard to state poverty alleviation programmes, social assistance and healthcare for the poor, there are some partial schemes, which are discussed later in this chapter.

Some recent poverty studies in Turkey When considering the Turkish welfare regime in terms of its approach to poverty, two major aspects emerge as having significant effects. First, although poverty existed in Turkey in various forms and degrees in general (and more specifically in urban areas since the 1960s), public concern over poverty did not begin until after the 1990s. This recent concern is reflected after 1996 in some of the research conducted by the State Planning Organization (SPO). Even today, however, there are very few such studies undertaken either by public organizations or by universities. Second, as argued in Turkey recently, the welfare state system has been reluctant to develop a social benefits scheme or to take on responsibilities regarding the poor, preferring instead to rely on family and social networks and social coping strategies to deal with the problem (Insel 2001; Buğra 2001).

One of the more significant studies on poverty conducted by the SPO and the State Institute of Statistics (SIS) has been 'The Poverty Line among Different Regions of Turkey' by Erdoğan (1996). Using the SIS's 1994 Household Consumption and Income Survey database, Erdoğan determined the cost of the minimum level of food consumption, and for the first time in Turkey produced a demographic profile of the poor. The study showed that crowded households with five or more members determined the poverty line according to 'basic needs and minimum expenditure criteria'. The study also indicated that younger age groups, up to fourteen years of age, had a high risk of poverty, as did rural populations compared with urban populations. Groups such as the uneducated, the unemployed, the elderly, students and unpaid family workers were shown to be at greater risk of poverty. When employment in different sectors is considered, the most vulnerable workers are those in agriculture and forestry (in rural areas) and those working in manufacturing and construction (in urban areas). Erdoğan's study is also significant in having determined a poverty line reflecting regional differences.

A second, significant study was conducted by Dansuk (1997), who took the lowest consumption spending on food and calorie intake as the poverty line and using these criteria calculated inter-regional and intra-regional differences in poverty in Turkey. In this study different absolute poverty lines were determined for each of Turkey's seven geographic regions. In 2001, the SPO evaluated all such studies and poverty scales in preparation

TABLE 8.1 Income distribution in Turkish households, 1994 and 2002 (%)

Quintiles	Turkey		Urban		Rural	
	1994	2002	1994	2002	1994	2002
First 20%	4.9	5.3	4.8	5.5	5.6	5.2
Second 20%	8.6	9.8	8.2	9.7	10.1	10.3
Third 20%	12.6	14.0	11.9	13.9	14.8	14.7
Fourth 20%	19.0	20.8	17.9	20.5	21.8	21.7
Fifth 20%	54.9	50.1	57.2	50.4	47.7	48.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
Gini coefficient	0.49	0.44	0.51	0.44	0.41	0.42

Source: SIS 2003.

for the eighth Five-Year Development Plan (SPO 2001). According to this evaluation study, social welfare was given high priority. Moreover, the study stated that 8 per cent of the total population live below the poverty line, while 24 per cent live at risk of poverty – and added a warning that the proportion of those at risk of poverty has been increasing dramatically. These claims were written into the country's five-year development plans for the first time. Thus, poverty issues and related problems are gaining significance in the policy agenda. It is argued that growing urbanization, high inflation, migration, unequal distribution of income, poverty and the family's decreasing capacity to act as the main welfare provider have increased the demand for social assistance programmes. On the other hand, despite admitting increasing demands, the current five-year plan suffers from a lack of standardized poverty indicators and effective assistance mechanisms. On balance, however, it is clear that poverty research has had a positive impact on raising awareness and on the construction of new social policies.

In 2003, the SIS published a study, *Household Budget Research Results 2002*, which is based on the distribution of income and income inequalities between each quintile in the population. This study found that the lowest 20 per cent of the population received 5.3 per cent of total income in 2002, whereas the highest 20 per cent received 54.8 per cent. Compared with the figures for 1994, there seems to have been a slight improvement in income distribution in 2002 (see Table 8.1); yet it is still easy to discern the huge income disparity between the lowest and the highest income groups in Turkey, which may be taken as a very clear indicator of absolute poverty.

Following its *Household Budget* study (2003), the SIS published a report specifically on poverty (SIS 2004), which contained official figures for the 'poverty line' and the 'hunger line' in Turkey. This was the first official report to define some major indicators of absolute and relative poverty and which accepted the concept of a 'hunger line'. According to this report (see also World Bank 2000), the percentage of the population below the poverty line (defined as not being able to obtain food and non-food necessities) is 27 per cent, while the proportion of the population below the hunger line (defined as not being able to obtain basic food needs) is 1.4 per cent. The report defines 'poverty' as not having access to basic human needs. The factors found to affect poverty are:

1 Household size: Households with seven or more members are found to be more prone to poverty, with 46 per cent of this group of households (1,645 households) below the poverty line. Among one- or two-member households the poverty rate is 16.5 per cent (3,269 households of this type are below the poverty line). Thus, the poverty ratio increases in parallel with household size. Households with seven or more members are mostly settled in rural areas, hence increasing the rural poverty rate.
2 Educational attainment: As the level of education increases, the poverty risk is reduced in both urban and rural areas. This factor is reported to be the best indicator of poverty in the SIS study. Among the illiterate population (11.3 per cent) the poverty rate is 41.1 per cent. Among people with a university degree or a higher level of education (3.8 per cent of the population) the poverty rate is 1.6 per cent. If the illiterate live in rural areas, the rate of poverty can go up to 46.4 per cent. Therefore, like household size, educational attainment should be analysed with respect to rural/urban differences.
3 Employment status: In general, 45 per cent of casual and seasonal workers (2.6 per cent of the population) working for daily wages are reported as poor in the SIS report. This employment group has the highest rate of poverty. Among employers (1.4 per cent of the population) the poverty rate is 9 per cent. Among the unemployed (amounting to 2.1 per cent of the labour force officially, but unofficially it is estimated to be about 10–12 per cent), the poverty rate is 32.4 per cent. But when urban/rural differences are considered, the unemployed in urban areas score a poverty rate of 23 per cent, while this rate is 62.6 per cent among the unemployed in rural areas. Moreover, when employment status is analysed according to economic sectors, those employed in agriculture, animal husbandry and forestry (14.1 per cent of the employed population) are the poorest group, with 36.2 per cent experiencing poverty. The next -poorest group is those employed in the construction sector (1.9 per cent of the employed population), with a 36 per cent poverty rate.

The national, urban and rural poverty rates (on the basis of different poverty lines) presented in the SIS poverty report (SIS 2004) are summarized in Table 8.2. According to these data, the \$1-a-day poverty line, which is an internationally accepted standard for absolute poverty, gives a very low poverty rate for Turkey. The rate increases if the poverty line is raised to \$2.50 or to \$4.30 a day. When we take this result along with the indicators of poverty discussed above, in Turkey poverty is strikingly high among casual and seasonal workers (indicating the existence of a large number of 'working poor').

According to the UNDP *Human Development Report 2003*, Turkey is ranked 96th among 175 countries. This means that since the 2002 report, Turkey has dropped eleven places, while still being located among the medium-level human development countries. There are two main reasons explaining this result. First, Turkey experienced two major economic crises between 2000 and 2001 and bore the after-effects of the Marmara earthquake in 1999. Second, the government's structural adjustment programmes have started a process of withdrawing major subsidies to agriculture, coupled with a major decrease in social investments. In particular, government spending on social and economic welfare has almost come to a standstill, and the restructuring of the state and the bureaucracy has resulted in many services being halted. Government spending on health amounts to 3.6 per cent of GNP; on education the figure is 3.5 per cent; for military services 4.9 per cent; and for foreign debt payments 15.2 per cent (UNDP 2003). Such spending ratios for social services are very low considering a total population of 69.3 million people, of which 31.2 million are under fifteen years of age. This report also stresses that in Turkey about 2 per cent of the population lives with less than \$1 a day and 10.3 per cent with less than \$2 a day. To support these figures, some major deprivation indices – which constitute components of the Human Development Index 2003 – are mentioned: for example, 8 per cent of the population is not expected to survive to the age of forty; the adult illiteracy rate is 14.5 per cent; the proportion of children under five who are moderately or severely underweight is 8 per cent; and 18 per cent of people are without access to safe water (see also Chapter 1, Table 1.2 in this volume).

Another interesting study is by Işık and Pınarcıoglu (2001), who conducted qualitative research within a squatter housing area (Sultanbeyli in Istanbul) among rural-to-urban migrants. The authors collected information on the pattern of home ownership, the ownership of household goods, and employment and education levels, and compared this information to places of origin and the lengths of stay in the city. Their findings supported the results of other studies on first-generation migrants (Friedrich

TABLE 8.2 Poverty ratios according to different poverty criteria, 2002

Criteria	No. of poor (thousands)			Percentage of poor		
	Turkey	Urban	Rural	Turkey	Urban	Rural
Food poverty (hunger line)	926	376	550	1.35	0.92	2.01
Food and non-food poverty	18,441	9,011	9,429	26.96	21.95	34.48
Persons below $1 per day*	136	10	126	0.20	0.03	0.46
Persons below $2.15 per day*	2,082	971	1,111	3.04	2.37	4.06
Persons below $4.30 per day*	20,721	10,106	10,615	30.3	24.62	38.82
Relative poverty	10,080	4,651	5,430	14.74	11.33	19.86

* For 2002, PPP $1 was equal to 618,281 Turkish Lira.
Source: SIS 2004.

Ebert Foundation 1996; Kalaycıoğlu 1996). First-generation migrants, who began to migrate in the 1960s, were quite successful in finding a residence (although the process started with the illegal occupation of land, followed by the gradual establishment of land rights via pardons during election periods), finding regular cash employment, securing their children's education up to high school, and reaching a moderate level of well-being. They were also successful in providing their children with houses and other means of bettering their welfare (including better education opportunities than those of their parents) (Konrad Adenauer Foundation 1998). In contrast, migrants who moved to metropolitan cities after the 1990s were not as successful; hence, the poverty risk is higher among new migrants. This study is helpful in understanding the deteriorating conditions of the squatter housing areas and also points out that not all migrants are necessarily representative of the poor. Thus, when we use migration as an indicator of poverty, we should ask which migrants, by age, gender, length of stay and place of origin, are more susceptible to the risk of poverty.

Another important study involved the collection of the life histories of migrants in two cities, and also attempted to discover whether there is a culture of poverty among these communities (Erdoğan 2002). The stories of migrants highlighted a spectrum of poverty, from the poorest of the poor to the 'moderately' poor. But the life trajectories were significant in understanding how poverty was carried into the urban context through migration and how poverty varied between migrants from the different regions (south-eastern, central and eastern Anatolia, and the Black Sea regions).

The role of the family in Turkish society Turkish society is a predominantly Muslim society with patriarchal structures (Kandiyoti 1988) in which the family plays a significant role (Duben 1982). It is also, however, a rapidly transforming society through increasing rural-to-urban migration and urbanization. Traditionally, families in Turkey are highly structured, with a dense pattern of kin relations. The extended family is a major unit for the socialization of the individual, as well as for determining the individual's educational and occupational attainment. Although this structure aids the development of the individual and helps to maintain the social status of family members, to some extent it also restricts opportunities for the young to express their feelings and opinions, especially within rural-based families. Dense kinship relations and family loyalty mean that younger family members will benefit from a guaranteed social status within society, but may also mean that open conflict between generations is not tolerated, even within the urban nuclear family.

The significance of reciprocal survival strategies between individuals and families is an important means of coping with poverty in Turkey. The volume of family/kin transfers is larger than welfare state provisions and this is a significant dimension in the definition of poverty and the poor in Turkey. Such dense family/kin structures also move together and were carried into the urban mileu through migration.

A recent report on poverty by Buğra and Keyder (2003: 31) tells the story very clearly:

> … as we have seen in various examples throughout our research, family and co-local ties can still be helpful for individuals to find jobs or set up businesses. However, in situations involving the risk of destitution, this kind of support is not more dependable than that of a neighbour or any other person offering help. We heard stories such as a sister-in-law whose husband works at the bakery bringing bread, or carpet on the floor being given by the wife's brother. One woman told us that she cleans at a relative's house for five million TL a day, another told us that she cleans for her sister-in-law, whose husband is a taxi driver, in exchange for food given to her and her small children. People who are needy do not seem to resent this situation.

Since the 1950s, paralleling economic transformations in agriculture, Turkish society has experienced a period of massive rural-to-urban migration, with highly complex consequences. This has included the movement of labour, freed up by the introduction of new technologies and mechanization, to towns and cities, in the search for new means of survival. The principal feature of the economic development of the 1950s was the post-war reordering of the international economic system under the principles of market liberalism.[2]

For individual families, the process of migration can be described as 'chain migration'. First, one person, usually an unmarried male, moved as a 'pioneer' and then other members of the family, the wider kin group, and the village community followed. Although the pioneer initiated the migration process, the decision to migrate was mostly taken at the household or family level. When sons decided to find employment in the cities, their fathers may have protested at first, claiming that this would lead to family disintegration, or the loss of family norms and values. On the other hand, some fathers strongly encouraged their sons to migrate to the city to find a job or to obtain an education, seeing this as a way of leaving poverty behind. Older women usually opposed the migration decisions of their families' head. Most women moved to the cities through marriage, again mainly at their husbands' behest.

Upon arrival in the city, the pioneer first sought refuge in the house of a relative or village-mate. Often this was in the squatter housing areas (*gecekondu*) surrounding the urban centres. Such networks were the main source for finding accommodation, given that the state had no housing policies. In fact, the state institutions functioned as though there were no housing problem at all, since individuals seemed to be able to solve their housing needs themselves (Rittersberger-Tılıç and Kalaycıoğlu 1998; Tekeli et al. 1992; Keleş 2000). Almost all the squatter housing used by migrants was illegal, however, and built on land owned by the state or by private, absentee landowners.

The demands of migrants were first for shelter, then for a regular income and, finally, for a better share in health and educational opportunities. Owing to a lack of resources, the Turkish welfare state was able to provide only limited social benefits, and demand was too great to be met. Thus, individual strategies and family/kin networks of economic and social solidarity became the primary sources of support.

Today, roughly 70 per cent of the population of the metropolitan areas of Istanbul, Ankara, and Izmir – or 34 per cent of the whole urban population in Turkey – lives in *gecekondu* areas.[3] Of the total housing stock, 22 per cent is located in these areas (Sönmez 1996). These neighbourhoods are densely populated and have limited access to major infrastructural facilities such as drinking water, sanitation, public transportation, roads, electricity and gas pipelines. The resulting problems are immense and not easily solved through public investment. Municipalities with limited funds and expertise are unable to cope with the problems of these settlement areas. Therefore, following the decision to migrate in the 1950s and 1960s, choosing a site for a house, buying building materials for construction and dealing with municipal authorities for the provision of electricity and water were all accomplished through a complex network of mutual aid within the extended family network. Later, this network of support continued when migrants sought a job for the household head, schools for their children and, subsequently, jobs for their adult children.

Mutual aid networks existed before the large-scale migration of the 1950s began. In rural areas, all kinds of housework, cultivation and construction of roads and water pipelines were undertaken through the involvement of all the households in the village. Furthermore, when integration into the market economy increased families' need for cash, young men went to the towns as seasonal workers, and thus contributed to the survival of their households in the villages.

In the early 1960s, for a first-generation migrant to own a squatter home meant occupying a plot on the outskirts of the city, without having title deeds and without any infrastructural facilities (water, electricity, sewerage, etc.). The only costs incurred were the expense of buying cheap construction materials to build a simple one- or two-room house. Labour requirements were provided by the individual himself and his relatives. In time, title deeds were obtained, accompanied by legal recognition of ownership. In the process of urbanization, the plots of migrants' houses in some of the *gecekondu* rose in value because of the increasing scarcity of urban land. In this situation, first-generation migrants were often willing to exchange their plots with contractors, in return for two or three flats in the apartment house to be built on the plot. These reconstructed areas usually became high-rent areas catering for the needs of the upper middle classes. In these cases, the migrants decided to sell their flats and, in return, bought more flats in lower-rent areas of the city. In this way, many were eventually able to provide a flat for each of their children. In areas of the city where this urban transition did not materialize, the squatter house would be inherited by the eldest son. If the plot was large enough, the other married sons sometimes constructed additional rooms or houses on the same plot. Those who had a large plot could keep their family together, forming a 'family community', looking after elderly parents and children, cooking and shopping together. If the plot was not large enough, however, only the eldest married son stayed in the house and cared for his parents. The other sons would have to rent alternative accommodation, usually a squatter house in the same neighbourhood. If their father was economically well off, they would expect help in finding a house to rent, furnishing it and paying the rent. If the value of the original plot occupied by the eldest son were to increase, however, and a contractor showed interest in developing the site, then all the sons would obtain their share of the flats negotiated in the deal (Tekeli et al. 1992; Keleş 2000; Erder 1996).

Socially, rural migrants living in the *gecekondu* areas suffered, and still suffer, from exclusion, segregation and discrimination. By developing survival strategies, however, among which migration networks and trajectories hold an important place, in addition to clientelism and family pooling, they have become a distinct part of the culture of metropolitan and globalizing cities with their experiences of poverty. In fact, in the literature on such global cities, urban poverty is considered to be one of the contemporary features of the new image of metropolitan life (Öncü and Weyland 1997).

A brief history of the welfare system and poverty alleviation programmes in Turkey

The idea of intervention in welfare issues began in the last century of the Ottoman Empire, but the provision of both social and health services was not counted among the main responsibilities of the state during that period. With the formation of the republic, the responsibility of the state was accepted and its role has gradually increased to develop institutional and legal frameworks.

As mentioned above, the Turkish welfare system is quite limited and does not efficiently cover those who are outside the formal job market. Those working in agriculture, casual and seasonal jobs, marginal or informal sector jobs and in homeworking and pieceworking (especially women) are totally excluded from any such coverage. Even the coverage of people in the formal job market is quite fragmented. The best coverage is given to civil servants under the Civil Servants Retirement Fund (CSRF), which was developed by the end of the Ottoman Empire. Civil servants and their families have access to more privileges than any other group, in terms of health insurance, pensions, annual holiday leave and job security. New policies in the late Ottoman period were intended to bring some coverage and help for orphans (*Darülsafaka*), widows, the disabled, senior citizens (*Darulaceze*), nursing-home residents and victims of natural disasters. This new social policy, however, was specifically defined as 'excluding people like prostitutes, beggars and vagabonds as the "undeserving poor"' (Atalay 2002).

After the foundation of the republic in 1923, the first attempt was made to introduce Western-type social institutions. The transformation of social structures had already begun in the last century of the empire and continued into the modern era, which saw the development of statism or state control of economic development, the formation of new institutions and the establishment of legal procedures. The first constitution of the republic, enacted in 1924, included the seeds of the state's social responsibilities. Two objectives of the constitutional legislation were the establishment of a workers' insurance scheme and the management of the labour market through state regulation. The law excluded agricultural workers, who still lie outside Turkey's social security system. Democratization attempts, similar to those in Europe, also began in Turkey during this period, especially after the Second World War.

In the republican era, welfare was defined only as provision for the 'social security' of those employed in the formal sector as a result of the emergence of state-supported industry and an enlarged bureaucracy. The implementation of social security measures for civil servants and military personnel, which had already begun during the Ottoman period, was reorganized in the late 1940s. In addition, in 1945 the Social Insurance Institution (SSK) was established for wage workers in the formal sector. Social security schemes are based on the payment of contributions by both employers and employees, which are then paid back as retirement pensions and health coverage for employees and dependent family members throughout their lives. Such pension and health coverage schemes varied greatly according to employment status, making the system highly fragmented in terms of coverage. Moreover, healthcare provisions were quite limited and poor segments of the population hardly had any access to medical coverage during this period. Therefore, while the consolidation of Western-type state formation occurred in the early republican period, its welfare dimension was quite limited and fragmented, a feature that has affected the history of the Turkish welfare framework.

As in the Bismarckian model, social policy regulations during the republican era were used in order to create social solidarity by ignoring class differences and creating a powerful central authority. As Özbek (2002) has discussed, corporatist tendencies and the 'idea of a classless society' have been quite influential in terms of social policy interventions in Turkey. Therefore, it is possible to define this welfare-regime period in terms of what Esping-Andersen calls the 'corporatist model', in which authoritarianism, statism and corporativism (Esping-Andersen 1990, 1996) are the important dimensions.

After 1960, with the establishment of the State Planning Organization and the beginning of the 'Planned Period', policies for the poor and welfare in general were redefined into five-year plans. The economic and social target of the plans was to increase the quality of life and welfare of the masses. The main aims of these development plans were to provide social security to every citizen and to distribute income fairly, in order to create equality of opportunity. To achieve the goal of improving income distribution, the social security system was reformed over a period of fifteen years. The self-employed, who had not been included in any social security programme thus far, were brought into their own social insurance scheme with the establishment of the social insurance fund, Bağ-Kur, in 1972. Unemployment benefits for permanent workers were also introduced. Other objectives included the provision of old-age payments and universal health coverage (see below). The concept of the 'poor' in the five-year plans included children without parents, elderly people, prisoners, disabled people and children with learning difficulties. Therefore, people who could be defined under the category of the 'deserving poor' were eligible for social assistance programmes, similar to the Western experience of welfare provision (Atalay 2002).

In the 1970s, when rural-to-urban migration accelerated, and especially after big cities began to be surrounded by *gecekondu* areas, related problems such as urban integration, social justice and the reduction of social inequalities became major concerns. The problem was still only defined, however, in terms of the limited coverage of the working population by the social security system – only 46 per cent of all salaried workers and 11 per cent of the economically active population were covered by the social security system in 1967. The main target of the new plan was to tackle this fragmentation, and in terms of social welfare the responsibility of social services was divided between public institutions, either central or local, and voluntary organizations. As a result of urbanization, industrialization and changes in family structure, elderly people needed more assistance than other members of society, and thus their demands entered the state's policy agenda through the five-year plans (ibid.).

In 1977 a further social policy development saw the implementation of a small benefit payment and free health coverage for people over sixty-five who did not have any kind of social security or family support. By introducing this legal right for the elderly poor, the state demonstrated its intention to intervene in the field of social assistance for the poor for the first time (ibid.). Until the 1980s, however, apart from this scheme, state assistance for people in need remained at a very limited and meagre level. In fact, at that time very few people were aware of the problems that rural-to-urban migration would bring about in subsequent years.

The period 1980–2000 For Turkey the 1980s began with chaos as a result of increasing violence in the streets, collapsed or blocked political institutions and poor economic performance (Zürcher 2000). This situation prepared the ground for another military intervention, which took place on 12 September 1980. The concept of a 'social state' was enshrined in the new constitution that followed, which also established the priority of the state over that of civil society or the individual (Talas 1992). Thus, the previously ‘responsible’ state – concerned with social well-being and the social security of its citizens (which was reflected in the previous constitution of 1961) – turned into a ‘regulating’ state. The intention was for the state to act like a good manager responsible for the efficient use of financial resources. Structural adjustment programmes were introduced and neo-liberal policy principles began to be implemented. During this period, the formation of a fund to cover medical expenses for poor people was also proposed. Free medical care for poor people became a subject of discussion for the new social insurance system, and one outcome of the state’s delayed concern for this issue was the ‘Green Card Programme’, established in 1991, which provided the poor with some degree of access to healthcare.

In parallel with the structural adjustment programme, the Social Assistance and Solidarity Encouragement Fund (SSF) was established in 1986. This fund is financed by taxes and administered by the prime minister’s department. Regional offices have been established for the administration of the fund in every province and each office is responsible for determining who constitutes the ‘needy’ among the inhabitants within its jurisdiction. The regional SSF offices provide assistance to people defined as the ‘deserving poor’, with assistance varying from help in kind to cash transfers. As indicated in the World Bank report, ‘it is the largest programme of pure social assistance in Turkey, having reached some 4.2 million beneficiaries through March, 1999’ (World Bank 2000: 61). In these social assistance programmes, the ‘family’ is emphasized as the basic unit to which social assistance should be transferred, and for the first time families in need are targeted as beneficiaries. Families were encouraged through the SSF regional offices to participate in its social protection schemes. The fund’s social assistance package was later restructured and transformed into the ‘social mitigation project’, financed by the World Bank. Local councils related to the social mitigation project were formed in each sub-province at the end of the 1990s, with the aim of facilitating access to welfare assistance by the urban poor. This was also an attempt to build on governance practices at the local level (Atalay 2002). Moreover, the mid-1990s saw an increased focus on the heavy burden of social security financing on the state budget. Although the family was still held to be the basis of assistance programmes, discussions began to focus on potential reforms aimed at developing new institutions that would eventually replace the family support system. To increase the standard of living of social groups that live below the poverty line, the government began a reorganization of the SSF and the amalgamation of existing social assistance organizations under a single Social Aid and Service Institution. (See the Appendix for a brief presentation of social assistance schemes in Turkey.)

In the last two decades, like most other nations, Turkey has experienced increasing unemployment. The number of jobs in the formal sector, both public and private, began to shrink and urban poverty began to rise. Several factors were responsible, including the implementation of structural adjustment programmes and neo-liberal economic policies, the changing patterns of the global economy and capital (i.e. both foreign and domestic capital preferring cheap labour resources such as those found in eastern Europe) and the narrowing of regular cash-earning opportunities for the young. Accumulated problems associated with bad economic management (which led to the recent economic crises of 2000 and 2001) also contributed to rising poverty. In addition, the fragmented structure of the social security system and its failure to adapt to the new situation has accentuated these problems.

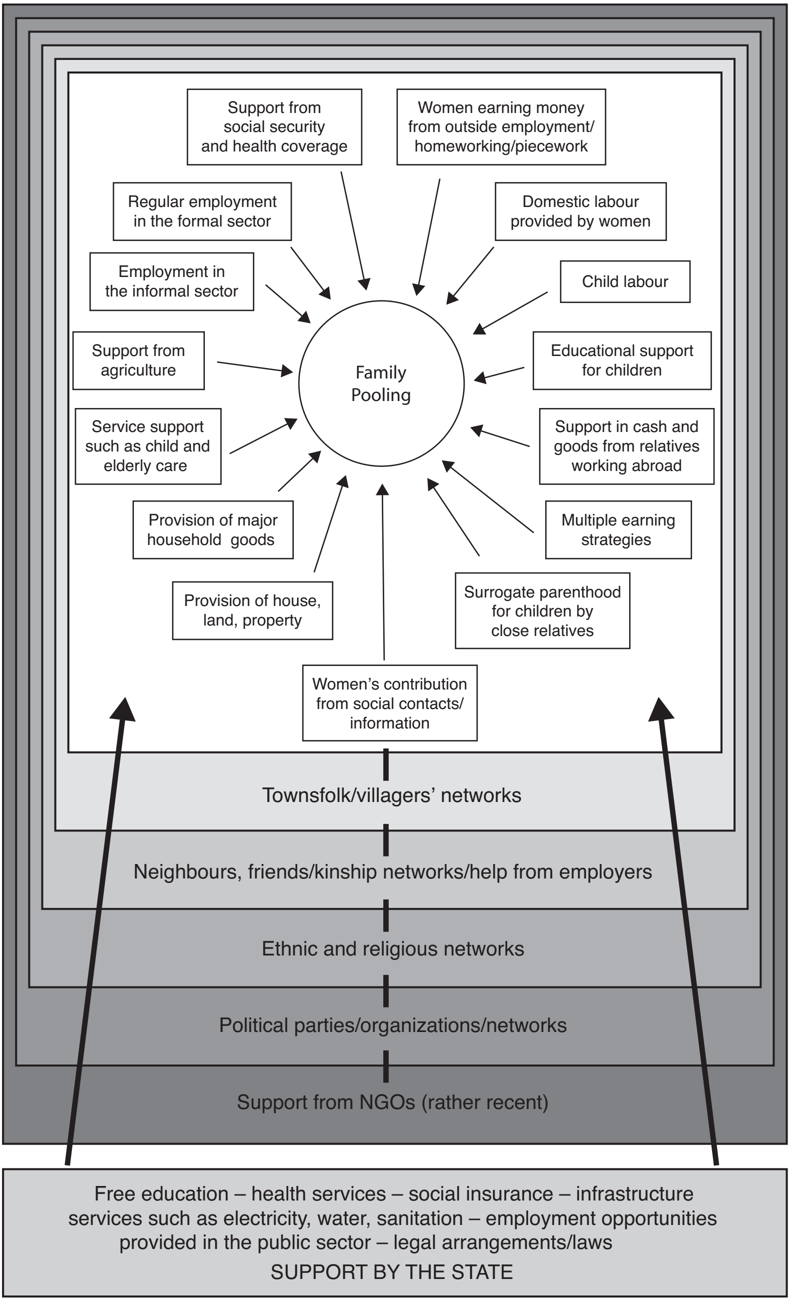
All in all, we can define the Turkish welfare regime as 'an articulation of a relatively modernised institutional body together with strong family/kin networks which can be seen as an alternative means of social control and organization' (Rittersberger-Tılıç and Kalaycioğlu 1998: 78). Therefore, mutual help between family members, inter-generational transfers and reciprocity in kinship networks are still very dominant in Turkey (Kalaycioğlu and Rittersberger-Tılıç 2000), including within welfare-related spheres. This domination of social networks and reciprocity gives us a model of welfare state organization that is somewhat similar to other southern European models (Rhodes 1997). In Turkey, the role of the family actually encourages the limited development of the welfare state – even enabling the state to act as a 'big family' (Buğra 2001) – while at the same time, the state's weak welfare provision (since its inception) has increased the need for a 'strong family'. In brief, with limited welfare state experience, which is mainly based on fragmented retirement pensions and healthcare provisions for only a small section of society, new social risks emerge with the loss or weakening of the survival/coping strategies based on family/kin and *hemşeri*[4] support (Ayata and Ayata 1996; Ayata 1991). There still seems to be a predominant understanding within Turkish society that people are responsible for their own welfare provision and for their own and their children's future prospects. Therefore, people have traditionally developed their own survival strategies. On the other hand, with recent economic crises these survival strategies and family resources have been subjected to great strain, and the prospects for this proxy welfare arrangement continuing in the future are rather bleak (Buğra and Keyder 2003; Kalaycioğlu and Rittersberger-Tılıç 2000). The next section presents a model of coping with poverty that is still dominant in Turkish society, although in light of developments discussed above its effectiveness is diminishing.

A model of coping strategies by family/kinship groups

As mentioned above, the level of public social spending and the extent and nature of poverty alleviation programmes in a country have a significant impact on the rate of poverty. In Turkey, such programmes are still very inadequate. Thus, family/kin solidarities have been a major factor in fighting poverty, constituting complementary support systems to public welfare programmes.

Family/kin strategies are very diverse and are also supported by other social networks. Although such family strategies are widely found and discussed in the context of many Third World countries, the Turkish case is distinguished by the additional social safety nets that surround the family, thus increasing its strength. To avoid misunderstanding, it should be stressed that the existence of such safety nets does not diminish the problem of poverty, as governments often claim. In fact, it makes the poor much more vulnerable (see below). Moreover, although extended social safety nets create a buffer mechanism to prevent individual family members from falling into poverty, they also create greater inequalities and potentially constitute obstacles to the development of collective social solidarities. This chapter argues that in the Turkish context, the existence of family/kin and other social networks may be effective in preventing their members from falling into absolute poverty, but relative poverty will still persist – for dependence on such networks is itself an indicator of relative poverty. Moreover, from a gender perspective, this model of family/kin support systems forces both women and men to feel dependent on the family/kin in all aspects of life.

As shown in Figure 8.1, the 'family pool' is the centre of the network system. It is useful here to define what is meant by the term 'family/kin group'. A family is an extended family/kin group that does not live under one roof, but has three sub-groups. One sub-group of households lives in the village of origin, another consists of migrant households in the metropolitan cities within Turkey, while the third sub-group lives in developed countries abroad, as workers. The network relationship is based on a well-defined division of labour among these three groups. The group living in the village is the poorest compared to the others, but it still supports the system with the provision of some food products. Moreover, this group symbolizes the cultural identity of the whole family/kin group and represents the family's values and norms at its roots, which is important especially for the socialization of young members. The members of the second group, who reside in the metropolitan cities, act as the managers or accountants of the kin group. In other words, having migrated to the city, they have learned the city way of life, and understand what profitable investments are possible in the city, especially with regard to urban land speculation.



8.1 A model for coping with poverty in Turkey and promotion into the middle class

Therefore, they are the ones to whom the management of the 'pool' is assigned. The third group is composed of the immigrant workers abroad in many European countries. Their remittances are sent to the family pool to be invested by the kin living in the metropolitan centres. The norms and values supported by the kin in the village of origin become especially significant when the young boys in the families living abroad are ready for marriage. The village kin are asked their opinions about suitable marriage partners. Thus, strong links are maintained between the three groups of kin in terms of economic as well as cultural transfers.

Figure 8.1 demonstrates the close-knit relationships of social networks that reinforce one another for the welfare of individuals who choose to stay within these networks or who have access to them. In addition to a well-established, three-dimensional family pool system, we can also refer to support networks of fellow villagers, kinfolk and neighbours, and paternalistic employer–employee relationships. Moreover, ethnic and religious networks, as well as political group affiliations, are quite influential and effective in terms of finding jobs, enabling children to enter good-quality high schools, gaining access to healthcare, obtaining permission for illegal housing construction, and so on. In other words, in Figure 8.1 we can easily see a patriarchal, paternalist and clientalist network structure which constitutes the basis of poverty-coping strategies for many households in Turkey, where family solidarity and inter-generational transfers have a significant impact on individuals' social and economic upward mobility and their ability to overcome absolute poverty.

It should be noted that this analyis is the result of mainly qualitative research and such factors not taken into account by the SIS in its own data collection. Therefore, it is difficult to generalize the findings. There is strong evidence, however, that such kin networks are dominant for the majority of middle-class families in Turkey (Buğra and Keyder 2003; World Bank 2000; Kalaycioğlu and Rittersberger-Tılıç 2002). The groups of people who remain outside such safety nets are either a minority of upper-class families who have well-paying jobs or businesses and do not need such networks, or most commonly those poorest sections of society that do not have the assets to form such safety nets. In fact, if we were to roughly estimate those who are excluded from the opportunity to form social safety nets, we could say that the 1.35 per cent of people on the food-poverty or 'hunger line' (SIS 2003) are most likely to be in this category.

In this sense, if one were to draw a sociological profile of the poor in Turkey, they would most likely have the following characteristics:

- families are more likely to have rural origins;

- family members are mostly unemployed, or employed in casual jobs (e.g. as unskilled labourers in the construction sector or selling petty goods on the streets), or are small landholders in the villages;
- the family does not own property in urban areas (house, land, or animals such as a cow, a sheep or a horse);
- the household does not have a regular cash income, and in the case of peasant households not enough income to live off their small plot of land;
- there is no male breadwinner in the household or else he is disabled;
- the household is female-headed;
- the household head has no social security or insurance;
- family members are uneducated and have no industrial skills;
- there is a large number of dependent family members, within a crowded household;
- family members are dependent on only one person, who is employed in the informal sector as a casual worker or is working as a seasonal labourer in the construction sector (in the case of small landholders or the landless);
- the household has no car or durable goods, except a refrigerator and a television set;
- the family has no outdoor entertainment (only visits to close relatives);
- there is no possibility of educating children (especially girls);
- most importantly, there is no material support from the larger kin group to provide a house, furnishings, education and childcare.

In addition to low levels of income or lack of job opportunities, poverty indicators for rural-to-urban migrants should also include lack of access to healthcare and medicine; lack of social insurance and social security; lack of educational opportunities for women; lack of access to infrastructural facilities; and bad housing conditions where migrants live in squatter areas. Moreover, a lack of information regarding health, hygiene, empowerment, political participation and existing state services increases the deprivation and social exclusion of rural migrants. In relation to rural poverty, similar disadvantages continue, but they tend to have a deeper impact on people. Recently, agricultural producers have suffered from decreasing productivity, a loss of state subsidies and a lack of investment, in addition to the pre-existing disadvantages associated with not being covered by state welfare benefits.

In relation to gender, although this is a broad and multi-dimensional issue in itself, migrant and rural women's poverty is reflected in terms of lack of labour market participation, the disadvantages of homeworking and pieceworking, a lack of empowerment, initiative and representation in the public sphere, the inevitable dependency of women on the family unit and the comparatively higher levels of deprivation in the case of female-headed households (Erman 2001). Moreover, as shown in Figure 8.1, another gender concern is that women themselves are the major resources of the family pool. They either work outside and earn money to 'contribute to the family budget', undertake homeworking/piecework for very low returns and no security of any kind, or are the ones who are sent to local governors or to the neighbours to ask for money or food, since cultural pressures dictate that men's pride should not be diminished. Women also have a major role in connecting social networks to the family/kin network through their relations with other women in the neighbourhood; they obtain information about cheap food, or news about a possible job, or about the help distributed by the municipalities. Nevertheless, even if women are employed and earn money, they do not have the right to keep their own incomes, and thus are more severely affected by poverty. This gendered poverty is invisible if we take the family, rather than the individual, as the unit of analysis.

In summary, the model of coping strategies outlined above demonstrates the conditions of the groups that have moved into the ranks of the middle classes after successfully using family/kin safety nets. The poor, on the other hand, are those who do not have the opportunity to take advantage of such safety nets.

What happens when families cannot use reciprocal survival strategies?
Not all families are able to use reciprocal survival strategies. It can be seen from Figure 8.2 that there are many social and cultural reasons that prevent the poor from benefiting from the pooling of all possible resources provided by family/kin networks. This point is similar to the 'culture of poverty' thesis, since most often the factors hindering access to informal safety nets are beyond people's control.

Figure 8.2 describes the conditions under which social networks cannot be utilized, resulting in the household sliding into poverty. It illustrates the fact that poverty in Turkey is more relative than absolute. In other words, the ability to have and to use potential networks makes a difference to a family's welfare and living conditions rather than the level of income, education, employment or housing. A family may not be considered to be poor in terms of these objective criteria, but it may still be deprived of access to healthcare, or not be able to guarantee its children's future prospects. Figure 8.2 indicates that family and social-network support is always vulnerable and can exclude its members any time there is resistance to patriarchal authority. Additionally, it allows us to consider the conditions under which such safety nets could not be initiated by some families.[5] When the family/kinship group takes on the role of safeguarding welfare instead of the state, there is always a risk for those who cannot undertake successful strategies.

In summary, Figure 8.2 can be interpreted as a means of providing a poverty index for Turkey, one that explains how and why poverty is created in relative terms, and also how conditions can easily lead to absolute poverty for those families that are not well equipped to undertake successful social networking strategies. Hence, state support and poverty alleviation programmes should be directed towards those families that lack such reciprocal survival strategies and should be acknowleged as high-risk poverty groups. Policy-makers need to take a much more qualitative approach towards understanding poverty and risk groups to discover which groups are excluded from informal safety nets. Quantitative approaches, which currently direct public authorities' aid distribution policies, and which focus on the income level of the household, levels of education or household goods, are bound to be inadequate and will fail to properly identify families in need. Moreover, we should keep in mind the fact that strong family bonds cannot be maintained indefinitely, particularly after two major economic depressions, and that the preferences of younger adults have started to change towards independence and autonomy from their families. The report by Buğra and Keyder (2003) highlights the depreciation experienced within family support systems, and notes that the number of families that can scarcely find the means for their own survival through social support networks is rising. Thus, there is an urgent need for more comprehensive public welfare programmes in Turkey, as well as in the other countries of the Mediterranean region that rely on similar family/kin safety nets.

Conclusion

This chapter has sought to demonstrate some important implications for the welfare-providing role of the family vis-à-vis the state. In particular, the critical decision-making role of older family members regarding the use of resources within the family pool should not be underestimated. Patriarchal authority directs the strategies for migration movements of the entire family or some of its members, especially for women, both in rural and urban parts of Turkey, and may also apply to families divided across borders through international migration. The significant role of the family and of patriarchal authority is strengthened when the state only has a limited role in welfare provision. Hence, when the state is minimal, individual rights are predominantly left to the mercy of informal relations

Conditions where coping strategies do not work in large/extended families – As a result people experience downward mobility and poverty

- Lack of economic resources
- Unemployable household head/or male members of the family/unemployment related to lack of essential skills for formal sector jobs
- Household head/male members of the family not able to work (disabled, sick, old, dead, missing)
- Intra-family conflicts (marriage with an unwanted partner, etc.)
- Reluctance or inability of women in the family to build relations with the external social environment
- Not allowing women to obtain employment outside the home
- Regional differences in support from ethnic and religious networks (some groups among the Alevis and Kurdish groups may not have traditions of mutual assistance but Sunnites are more successful)
- Personality differences (brothers and sisters not wanting to share a home, fathers who do not provide support, jealousy between relatives, etc.)
- Culture of poverty/reluctance, lack of knowledge or lack of resources hindering a family in developing coping strategies
- Large number of dependent family members, e.g. elderly people, very young children and sick members

8.2 Schematic presentation of poverty conditions in Turkey (when coping strategies with the family/kin group and within other social networks fail)

within family/kinship groups, leaving individuals within informal networks open to vulnerability and exclusion any time tension is experienced within these networks.

There are three implications of family/kin transfers that have been revealed by the analysis. First, unity and solidarity are the principal defences used by migrant families against deteriorating wages or worsening economic conditions. Here, the savings and income of older family members generally play a greater role in the accumulation of income and property within a family pool, compared with those of members of younger generations: adult children also contribute to family pools, but to a lesser degree. Thus, offspring and grandchildren benefit more in terms of their immediate welfare and education. It might be argued that older generations within families are investing for their future care and affection, ensuring that they will be neither lonely nor neglected in old age. All family members, however, old and young, have a tendency to share and benefit jointly from family savings. Most choose to spend their savings throughout their lifetime rather than accumulate personal wealth to be left as an inheritance after death. Often this mechanism is needed for survival, as a kind of built-in insurance to provide social security and care for the dependent and sick. In Turkey, material wealth and moral support can flow in both directions between older and younger generations. White (1994), in her research in Istanbul, also found that people covered their expenses in part through various types of income pooling and that the family was expected to provide social security and care for the old and sick.

Second, the kind of informal private insurance provided by reciprocal survival strategies substantially relieves pressure on public welfare institutions. White (ibid.) claims that this is a system of insurance that enables employers to avoid contributing to formal social security schemes. Moreover, some might consider the strong role played by family/kin networks to be an obstacle to the development of more comprehensive welfare provision by the state. It is still the case that family/kin networks are not foolproof; on occasion dependent people who lack mutual family aid find themselves in urgent need of support, and relative poverty may easily arise when support systems are broken for internal reasons.

Third, the solidarity that characterizes most families leaves only a small space for individuals to gain self-reliance and to make independent personal decisions on economic, social and cultural issues. Thus, young adults and women may feel oppressed by their dependence on their families. Nevertheless, mutual aid greatly strengthens relations based on obligation and reciprocity, binding members of the family to each other as a close-knit group and excluding others (non-kin, members of different ethnic groups and often their neighbours). Rather than creating inter-generational cleavages in society, this generates a strong family identity that is influenced and defined in large part by the authority of older members. On this last point we can note the increasing human rights issues pertaining to family support systems in Turkey. The changes in the preferences and priorities of younger people, together with the effects of the global economy and cultural influences, are eroding the traditional system, which relies on dense family relationships and a solidarity that strongly limits individual freedom of choice. While the life events of younger adults have changed drastically compared to those of previous generations, the risk of downward mobility or even of falling into absolute poverty has increased, particularly if young people decide not to use the strategies and support networks of their parents. Taking into account the patriarchal nature of the system, young women are the most likely to encounter deep conflicts within their family support systems when choosing between their future careers and aspirations or their families ties. With a lack of government welfare spending, young people are more likely to suffer the disadvantages of being isolated and socially excluded from the traditional support system, particularly as such networks are weakening owing to economic crises and continuing structural adjustment reforms.

The prospect of Turkey's future integration into the European Union could trigger a positive development in social welfare provsion generally, and in poverty alleviation in particular, in the sense that Turkey will have to implement social reforms that are more or less in line with the European Union's tradition of social and political citizenship. This would include an emphasis on policies of social inclusion and sustainable development. Therefore, Turkish governments cannot disregard the impact of EU policies, and in this respect social protection is expected to become a more important issue in the future.

Appendix: social assistance schemes in Turkey

1. Social Services and Child Protection Department

I. Assistance in kind: Food, clothing, coal, stationery for children in education, all kinds of medical aids and rehabilitation equipment. Given to the needy following a needs assessment by departmental staff.

II. Cash: Following a departmental assessment, cash benefits (on a monthly basis) may also be given to claimants. The amount may be up to a ceiling equal to 20 per cent of the highest monthly civil service salary. In 2004, this was about 74 million TL (44 euros), while the minimum (after tax) monthly wage in Turkey is about 194 euros. (In 2004, 1 euro = 1,700,000 TL)

2. Social Assistance and Solidarity Encouragement Fund (SSF) and Social Risk Mitigation Project

I. Assistance for healthcare

a. Support to 'Green Card' holders to buy medicines;
b. General health coverage for those who do not own any land, a house or property and who have no income;
c. Assistance with medical rehabilitation, especially for disabled people and military personnel in need.

II. Conditional transfers: reproductive health for mothers and children

a. Assistance to families who cannot pay for medical check-ups for their children aged 0–6 years – there is a co-payment of 17 million TL (10 euros) per child.
b. Assistance to pregnant women during pregnancy: 17 million T.L. (10 euros) for each month of pregnancy and 55 million TL (32 euros) per month if the birth will take place in a hospital.

III. Conditional transfers: education

Educational assistance to children continuing their elementary school education (8 years' compulsory education became law in 1999 and is encouraged): 18 million TL (10.5 euros) for each boy and 22 million TL (13 euros) for each girl is paid to poor families if they send their children to school. For secondary education the figures are 28 million TL (16.5 euros) for boys and 39 million TL (23 euros) for girls. Every year these amounts are updated. Educational assistance is paid monthly.

IV. Transfers of coal: a minimum of 500 kg of coal can be given to households in need.

V. Small-credit projects for poor families which should be coordinated by women.

VI. Support for income-earning projects for poor households.

3. Old-age Income Benefit and Education Scholarships

I. Old-age income benefits are distributed through the Mayor's Office in each locality to people over 65 who do not benefit from any pension scheme, have no income from other sources and no one to care for them. The monthly benefit is determined according to minimum wage rates. For 2003 it was 48 million TL (28 euros) per month.

II. Education Scholarships are given by the State Credit Office to high school and university students who can prove that they are in need (family means tested). In 2005 the monthly scholarship is approximately 110 million TL (65 euros).

4. State Support for Agriculture

This is a new 'direct income assistance system' for farmers established in 2001, replacing the agricultural credit system and agricultural subsidies that existed previously. The amount is updated every year. The assistance benefit is offered to all farmers, except large landowners (owning more than 500 acres).

Notes

1 In this sense, for example, Scandinavian countries are shown to be the most successful welfare states.

2 It should be stressed here that in the 1950s mechanization in the agricultural sector, albeit without effective planning, may have had a positive effect in some areas with fertile lands (such as western Anatolia), but in other regions (such as central and eastern Anatolia) mechanization led to underemployment in agriculture, which promoted migration. While machines may have replaced human labour to some extent, financial returns (after covering expenses for machine hire, and buying fertilizers and seeds) were just not enough for small landholding families to survive on. Moreover, since the size of land plots progressively diminished owing to traditional inheritance rights (dividing land among sons), mechanization did not create the expected result of rising incomes. Hence, it would be more correct to argue that unplanned

mechanization and diminishing returns created the major push factors for migration from rural to urban areas (or abroad). On the pull side, the growth of light manufacturing industries within the private sector and public sector employment possibilites in urban areas created rising expectations for 'regular' and 'cash income earning' job prospects for rural populations. What determined the growth of migration, however, may have been a general increase in social and physical mobility, and rising expectations, rather than concrete push–pull factors.

3 For an examination of this aspect of urban growth, see Alpar and Yener 1991.

4 This term refers to people from the same village or city origin in Turkey.

5 This is particularly the case when immigration takes place under imposed conditions, as was the case for most immigration from eastern and south-eastern Anatolia, e.g. under threat of violence, insecurity or war. Such conditions disrupt livelihoods in the place of origin and do not favour the maintenance of kin/family and village community networks among migrants. As people have to flee to cities in haste, without any prior opportunities to secure the support of relatives/kin, they cannot benefit from social networks. In addition, the landless poor (for instance, most Kurdish immigrants from villages with large landowners) utterly lack any social networks and economic resources that they can transfer to the urban context, since in their place of origin they rely on these large landowners (*ağa*) for support.

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TWO | The Middle East and North Africa

9 | Poverty in Israel: taking a multi-dimensional approach

JACQUES SILBER AND MICHAEL SORIN

A brief review of poverty studies in Israel, in comparison with neighbouring countries

> Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the type of diet, participate in the activities and have the living conditions and amenities which are customary, or at least widely encouraged, or approved, in the societies to which they belong … They are, in effect, excluded from ordinary living patterns, customs and activities. (Townsend 1979: 31)

Such a definition of poverty leads evidently to a multi-dimensional approach to poverty measurement where attention is focused not only on the income of an individual (household) but also on consumption, and more generally on living patterns, and comparisons are made with those of other individuals (households) that serve as a reference point.

Despite some attempts that were made in the 1960s, especially in developing countries, to take such a 'basic needs' approach, the truth is that a uni-dimensional approach to poverty measurement, based on the total income – or, later, consumption – of the household (or individual) remained the rule in the 1970s, 1980s and even 1990s because of, among other reasons, the important theoretical developments that followed Sen's (1976) ground-breaking paper. During the past fifteen years, however, multi-dimensional approaches to poverty have become much more popular. Thus, some studies have taken a 'fuzzy set approach to poverty measurement' (e.g. Cerioli and Zani 1990; Cheli and Lemmi 1995) while others have been based on factor analysis (e.g. Nolan and Whelan 1996), information theory (e.g. Miceli 1997), the application of 'efficiency analysis' to poverty measurement, suggested originally by Lovell et al. (1994), or recommended axiomatic derivations of multi-dimensional poverty indices (see Chakravarty et al. 1998; Tsui 2002; Bourguignon and Chakravarty 2003). More generally, recent work has given much more attention to the concept of social exclusion in developed countries – e.g. Halleröd's proposal (1994) for a direct consensual measurement of poverty, and Gordon et al.'s report (2000) on poverty and social exclusion in Britain – and to the concept of human development in developing countries – see the annual UNDP reports on human development and the interesting survey by Alkire (2002) on the dimensions of human development.

Most studies of poverty in Israel have, however, taken a uni-dimensional approach and are based either on income or on consumption data. In fact, there have been only a few studies on inequality and poverty in Israel during the past twenty years. Achdut and Bigman (1991), for example, found that while pre-tax and post-transfer income distribution became much more unequal during the high inflationary period of the early 1980s, inequality in post-tax and transfer income increased only moderately. Achdut (1997) looked at the impact of the transition from rapid (early 1980s) to low and stable inflation (after 1985) on inequality. In 1985 a stabilization programme was enacted that brought the annual inflation rate down from a level of 400 per cent in 1984 and the first half of 1985 to an average of 18 per cent during 1987–91. Achdut (ibid.) found that there was a decline in inequality in 1985, mainly in distribution of post-tax and transfer income. But in the years that followed there was a renewed increase in inequality, though less in post-transfer than in post-tax and transfer income. Thus, it appears that different income components such as labour market income, transfers and direct taxes played a different role in determining overall inequality.

In another paper Achdut (1996) examined the trends in income inequality between 1979 and 1991. She concluded that the rise in inequality during the entire period reflected mainly a decline in the contribution of taxes to reducing inequality and the increased impact of the earnings and pensions of heads of families. More precisely, the government's tax policy after 1985, which aimed to enhance work incentives and economic growth by reducing marginal tax rates, resulted in a weakening of the inequality-reducing effects of taxes. On the other hand, the transfer policy during this same period succeeded to a larger extent in maintaining the inequality-reducing effects of transfers.

Silber and Zilberfarb (1994) examined the distributional effects of inflation and unemployment in Israel during the period 1967–91. Their study showed that a deterioration in macroeconomic conditions (a rise in inflation and/or in unemployment) reduced the income share of the lower half of Israeli households and increased the income share of the wealthiest quintile. They also found that the effect of unanticipated inflation was 67 per cent stronger than that of expected inflation.

In a more recent paper Berthomieu et al. (2003) examined the impact of expected and unexpected inflation, unemployment and the degree of openness to international trade on inequality in Israel. They concluded that expected inflation had no significant effect on inequality (on the Gini index), nor on the income share of any income decile. They also observed that unemployment and unexpected inflation as a whole had a similar effect in so far as they tended to increase the income share of the rich and decrease that of the poor and middle classes. Finally, the degree of openness to international trade had no effect on the rich or on the poor but had a significant negative impact on the income share of the middle class, essentially on the lower section of the middle class.

These results as a whole tend to confirm that in a developed country such as Israel the rich usually have the means to protect themselves against the dangers of inflation or unemployment. They may even benefit from a situation of high inflation or high unemployment. The poor, in contrast, seem to suffer in periods of higher inflation or unemployment (the data analysed referred to gross income and thus did not take into account the impact of the tax and transfer system).

The recent restructuring of the Israeli welfare state and the drastic cuts in some social welfare and social security benefits programmes (for example, children's allowances, income supports and even old-age national insurance pensions) that have taken place during the past three years (see Doron 2004) certainly did not improve the ability of the poor to cope with the difficult economic situation that has prevailed in Israel since the beginning of the Second Intifada. As stressed by Doron (ibid.) it is quite clear that: 'the difficult economic and security circumstances have made it possible for the government, the country's ruling political elites and the economic establishment to put in practice policies that reflect their prevailing neo-liberal ideological thinking and consequent determination to curb the welfare state'.

Recent data confirm, in fact, that poverty and inequality have been growing in Israel during the past three or four years. But how is poverty measured in Israel? For almost thirty years now, Israel has adopted a relative approach to poverty measurement.[1] This implies that a family whose income is below the poverty line, and hence is considered to be poor, does not necessarily suffer from want in the form of malnutrition, bad clothing or dilapidated housing but has an income level that is significantly lower than the representative income. In Israel the method of measuring poverty is based on three principles. First, the relevant income for measuring poverty is the family's net income. It is defined as the sum of the market income (from work as well as from ownership of physical production means and financial assets) plus transfer payments (not received in return for economic efforts) less direct taxes (income tax, national insurance and health insurance contributions). Second, the representative income of society is the median net income, and the poverty line is equal to 50 per cent of this median net income. Third, it is assumed that family size involves economies of scale and therefore use is made of an equivalence scale that translates the number of persons in a family into a number of 'standard persons'.[2] To summarize, we can say, therefore, that in Israel a family is classified as poor if its net income divided by the number of standard persons in the family is lower than the poverty line per standard person. In the year 2000 the poverty line per standard person was equal to 19.9 per cent of the average wage. The corresponding figure for 2003 was 25.3 per cent, a result that shows that in recent years the average wage decreased in comparison with the median net income.

Whereas up to 1997 (inclusive) the income survey on which these estimates are based covered only households whose head was an employee or a non-working person, in urban localities with 2,000 or more inhabitants, starting in 1998, the Central Bureau of Statistics derived its estimates on the basis of both the Income and the Family Expenditure Surveys. Such a combined survey covers 95 per cent of all households in Israel, including the self-employed and the population in rural localities. Given that the analysis in the present study is based on the 1992/93 Consumption Expenditures Survey the population covered is different from that covered in the 1995 census. This could explain the differences observed in the poverty rates (see Deutsch and Silber 2002) since the 1992/93 consumption survey does not include self-employed heads of households and those living in rural areas.

The official data on poverty published annually by Israel's National Insurance Institute (NII) indicate that, for example, in 2000 17.6 per cent of families[3] and 18.8 per cent of the total population were poor (see Achdut et al. 2002). Also, 25.2 per cent of children were found to be poor. The NII has also estimated that transfer payments and direct taxes extricated 45.3 per cent of the total number of poor families from poverty. Poverty is relatively more prevalent among immigrants who arrived in Israel after 1989 (18.7 per cent), the elderly (24.4 per cent), single-parent families (25.1 per cent), large families (41.8 per cent when there are four or more children), non-Jews (42.9 per cent) and families whose head does not work (62.4 per cent).

In 2003 (see National Insurance Institute 2004) the data indicate that 19.3 per cent of families, 22.4 per cent of individuals and 30.8 per cent of children were poor, and that transfer payments and direct taxes extricated only 42.7 per cent of families from poverty. When comparing the 2003 data with those of 2000 one observes a decrease in the poverty rate among immigrants who arrived after 1989 (17.7 per cent) and elderly people (22.3 per cent) but an important increase among single-parent families (27.6 per cent), large families (48.9 per cent), non-Jews (48.4 per cent) and families whose head does not work (65.8 per cent).

As far as income inequality is concerned, one may note that the Gini index of economic income (which stems from work undertaken as an employee or in a self-employed capacity) increased from 0.509 in 2000 to 0.521 in 2003, while the Gini index of net income (income after transfers and direct taxes) was equal to 0.350 in 2000 and 0.363 in 2003. The share of the lowest quintile amounted to only 5.1 per cent of total net income in 2003 (6.8 per cent in 2000), while that of the highest quintile represented 47.6 per cent of this income in 2003 (compared to 41.5 per cent in 2000).

As indicated previously, poverty in Israel is measured on a relative basis. This is not the approach taken in some neighbouring countries such as Egypt and Jordan, where an absolute approach to poverty measurement has been adopted, one that takes into account the cost of basic needs. This difference in approaches is evidently due to the fact that the real per capita GDP in 1997 was much lower in Egypt ($3,050) and in Jordan ($3,450) than in Israel ($18,150), according to the 1999 *Human Development Report* (UNDP 1999).

In a recent study of poverty and economic growth in Egypt based on the two most recent household expenditure surveys that have been conducted in this country (in 1995/96 and 1999/2000) El-Laithy et al. (2003) found that 16.7 per cent of the population was poor in 1999/2000. Such a figure implies that 10.7 million Egyptians were poor. Poverty in 1999/2000 was, however, lower than in 1995/96 since in the latter period 19.4 per cent of the population was poor. El-Laithy et al. (ibid.) also concluded that the Egyptian poor tend to live in large families, have low levels of education, are employed in agriculture or work in the informal sector and are concentrated in low-paying unskilled activities. The authors also stress that the rate of poverty of female-headed households is higher than the average for urban Egypt, that the poor have lower rates of labour force participation, that urban households with unemployed heads were twice as likely to be poor as urban households headed by a person with salaried employment, and that households in which the head works in the private sector are more likely to be poor. These conclusions remained valid when regressions were estimated.

A recent study of poverty in Jordan (see Shaban et al. 1999) showed that in Jordan poverty also declined between 1992 and 1997, the headcount ratio having decreased from 14.4 per cent to 11.7 per cent. Such a decline is quite remarkable since during this period per capita expenditure levels decreased – but the reduction in inequality outweighed the decline in per capita expenditure levels and thus led to a lower poverty rate. The absolute number of poor, however, did not change significantly during this period, being approximately 540,000. The authors also concluded that poverty incidence is higher in rural than in urban areas, among households with disabled or unemployed heads, among households with heads employed in the private sector, with low levels of education, with widowed or married heads or with heads who are forty-one to fifty years old. Finally, poverty is higher among households that rent their housing and where the dependency rate is high.

It is interesting to note that despite the tremendous differences in standards of living between Egypt or Jordan and Israel, and notwithstanding the fact that in Egypt and Jordan an absolute rather than a relative approach to poverty measurement has been adopted, the characteristics of poor households are often identical in these three countries, as the study to be presented here will show. In all three cases it appears that when the heads of the households have a low level of education and/or are unemployed, and when the size of the household is large, the probability of being poor increases.

Before we take a closer look at the determinants of poverty in Israel, we will explain how the so-called 'fuzzy set' approach to poverty measurement – originally introduced by Cerioli and Zani (1990) and then extended by Cheli and Lemmi (1995) – allows one to take a multi-dimensional view of poverty. There are, in fact, two basic ideas behind this 'fuzzy set' approach to poverty measurement: the first argues that poverty should be considered as a multi-dimensional phenomenon while the second contends that a clear distinction between the poor and the non-poor is not always possible. We will then apply this approach to the data of the Consumption Expenditures Survey that was conducted in Israel in 1992/93. Finally, we will present a logit analysis of the determinants of multi-dimensional poverty and compare the results of our empirical analysis with those based on the census conducted in Israel in 1995. Some policy implications derived from our findings will be presented in the conclusion.

The 'fuzzy set' approach to poverty analysis: theoretical background

On the relevance of the theory of fuzzy sets to multi-dimensional poverty analysis The theory of 'fuzzy sets' was developed by Zadeh (1965) on the basis of the idea that it is not always possible to classify a given object in a specific set. Such a simple idea is, in fact, quite relevant for the analysis of poverty. Thus, while in some cases an individual is in such a state of deprivation that he certainly should be considered poor, and in others her level of welfare is such that she certainly should not be classified as poor, there are, however, also instances where it is not clear whether a given person is poor or not. This is specially true when one uses a multi-dimensional approach to poverty measurement, because according to some criteria one would certainly define a person as poor whereas according to other criteria one should not regard the same person as poor. Such a fuzzy approach to the study of poverty has taken various forms in the literature (see Appendix A for a more technical review of these different approaches).

Cerioli and Zani (1990), who were the first to apply the concept of fuzzy sets to the measurement of multi-dimensional poverty, proceeded as follows. In their approach, which is called the 'Totally Fuzzy Absolute Approach' (TFA in short), one first computes for each indicator of poverty an individual (or household) level of poverty. If the indicator was, for example, a specific durable good, then obviously those individuals who owned this good were defined as 'non-poor' and those who did not as poor. But often an indicator may take several values. For example, if individuals are asked to evaluate in subjective terms the state of their health, the possible answers may be very good, good, quite good, medium, quite bad, bad and very bad. Cerioli and Zani (ibid.) then determined two thresholds such that those individuals (households) whose answer was located below the first threshold were defined as 'non-poor' while those whose answer was located above the second threshold were called 'poor'. In the illustration that was just given one could decide that 'good' is the lower threshold and 'bad' the upper threshold so that those answering that they are in very good or good health would be defined as 'non-poor' and those answering that they are in bad or very bad health would be classified as poor. As a consequence, all those answering that they are in quite good, medium or quite bad health would not belong to either of the two sets of 'non poor' or 'poor'. If a numerical scale is selected for each of the seven possible answers, Cerioli and Zani suggested a formulation that implies that the farther away one's answer is from the set of 'non-poor', the poorer one is.

Cheli and Lemmi (1995) took a different approach, which they called the 'Totally Fuzzy and Relative Approach' (TFR in short). They recommended deriving the value of the poverty scale of a given individual with respect to a given indicator from the proportion of individuals who classified themselves in the various categories. One would thus, *ceteris paribus*, receive a higher score in poverty terms the higher the proportion of individuals (households) better ranked in terms of poverty with respect to the indicator.

Finally, Vero and Werquin (1997) recommended a somewhat different weighting scheme (VW in short), one that solved the problem that some indicators may be highly correlated. For example, owning a TV set and owning a video recorder may be two indicators that are highly (positively) correlated so that by including the two indicators in the derivation of an overall poverty score for a given individual (household) one may obtain biased results. The VW technique precisely avoids this kind of double counting.

Having given a 'poverty score' for each poverty indicator to each individual (household), one then needs to weight these various scores. Cerioli and Zani (1990), as well as Cheli and Lemmi (1995), selected a weighting scheme that is very intuitive. The basic idea is that the lower the frequency of poverty according to a given deprivation indicator, the greater the weight this indicator will receive. For example, if owning a refrigerator is much more common than owning a dryer, a greater weight will be given to the former indicator, so that if an individual does not own a refrigerator, this rare occurrence will be taken into account much more in computing the overall degree of poverty than if the person does not own a dryer, a case that is more frequent. This type of weighting scheme was not adopted by Vero and Werquin (1997) because their approach does not consider each indicator separately.

Finally, having derived an overall 'poverty score' for each individual (household), Cerioli and Zani (1990), Cheli and Lemmi (1995) and Vero and Werquin (1997) defined the overall poverty rate in the population as being equal to the arithmetic mean of the poverty rates of the different individuals (households).

Choosing the indicators Cheli et al. (1994) have made a distinction between six types of indicators:

- Housing conditions: Here the indicators give information on the presence of such items as central heating, a telephone, a bathroom, etc., in the apartment or house.
- Durable goods: This category indicates mainly which durable goods (such as a refrigerator, a television set and various other electric appliances) are at the disposal of the household.
- Income: This item could include data on the total income of the household but also more detailed information on various sources of income.
- Consumption expenditures: This would indicate how the overall expenditures of the household are broken down into typical components such as food, maintenance, education and leisure, health, etc.
- Subjective appraisal: This category covers all kinds of questions that may be asked of household members regarding the state of their income, health, satisfaction at work, etc.
- Socio-economic background: This refers to variables such as age, education, country of origin, etc., that are usually not taken into

account when deriving the value of the 'fuzzy poverty index' but are introduced as explanatory variables when trying to understand the determinants of multi-dimensional poverty.

When preparing such a list of indicators it should be clear that it is impossible to ignore the type of society that is analysed. Central heating, for example, may be relevant in most parts of western Europe but is of much less interest in most regions of countries such as Israel that are characterized by a subtropical climate. Similar considerations should be taken into account when looking at the ownership of a private car, a characteristic that may have a very different signification in crowded urban areas where traffic is dense and in rural areas where a car may be an indispensable tool of work.

Another important issue concerns the selection of the total number of indicators one wishes to take into account. Some information may become quickly redundant. Collecting detailed information on the presence of electric appliances such as an iron or a blender may be interesting per se but it will affect the weight given to other durable goods such as refrigerators or washing machines, which undoubtedly are more crucial when trying to determine whether a household is poor or not. Moreover, the ownership of some of these goods may be very highly correlated with that of other durables, and this may introduce an additional source of bias. The estimation technique proposed by Vero and Werquin (1997) and mentioned above tries to solve this problem.

A crucial conceptual issue concerns the fact that some households may freely decide not to own certain types of durables. A first example, which is relevant in several countries in western Europe, would be that of a car, which some households, worried by increasing pollution, would voluntarily decide not to buy, thus contributing, in their own way, to the protection of the environment. Another illustration, which is pertinent in Israel, is that of owning a television set, which some extremely religious households never buy because it would distract their attention from more spiritual activities and might even have 'perverse' effects on the education of children.

There is also the problem of how to take into account the quality of a durable good. The ownership of a black-and-white television set should certainly not be put on the same level as that of a coloured TV. Similarly, 'owning a car' may refer to very different situations, depending on whether the car is a small, very old, second-hand or a new, powerful, large car. It might therefore be useful, when estimating the degree of 'fuzzy poverty', to include, whenever possible, whatever information is available on the quality of the item.

An illustration based on Israeli data

The data sources To demonstrate the relevance of the various 'fuzzy approaches' to the measurement of multi-dimensional poverty described we have used Israeli data drawn from the Consumption Expenditures Survey conducted in 1992/93.

Since there are important differences in the size of the various households we first had to make a decision concerning the equivalence scale that should be used. Various solutions were possible (see Cowell and Mercader-Prats 1999 for a survey of these issues). We finally decided to use the scale that was introduced in Israel almost thirty years ago by the National Insurance Institute. Table B.1 in Appendix B gives the number of 'standardized persons' that should be taken into account, as a function of the size of the household.

The 1992/93 consumption survey did not include questions of a subjective type, so we only had information on the ownership of durables or on income and consumption. Table 9.1 gives the list of durables that have been taken into account as well as the weight given to them. It can be observed that the highest weight is given to the durable goods that most households have, such as a refrigerator and an oven. The other durable goods with a relatively high weight are a telephone, a television set and a washing machine.

We have also introduced, directly or indirectly, four additional variables. First we took into account income. As threshold values for incomes we have taken levels ψ_{1min} and ψ_{1max}, equal respectively to a third and two-thirds of the median income. While income was directly used in the analysis, data on expenditures allowed us to compute savings. The second additional variable we introduced therefore was negative savings (occurring when expenditures are greater than income), the weight obtained in this case being equal to 0.6. Finally we defined two other variables, the first corresponding to the 'non-ownership' of a car and the second to the 'non-ownership' of an apartment (or a house), with their weights being respectively equal to 0.74 and 1.38.

When using the TFR approach we have applied the formula given in equation A-5 in Appendix A to compute the membership function. Tables B.2 to B.5 (Appendix B) give the results of this estimation procedure for the variables that correspond to the four items just mentioned: income, savings, value of apartment (house), value of car.

Finally, when applying the algorithm proposed by Vero and Werquin (1997) we have taken into account the following items:

1 non-ownership of an oven or a microwave oven; 2 non-ownership of

TABLE 9.1 List of the durable goods taken into account and their weight

Indicator of poverty	Percentage of households who do not own this item	Weight of the item, on the basis of expression (7)
Microwave oven	71	0.34
Oven (any kind)	1	4.41
Refrigerator (or freezer)	1	4.53
Washing machine	9	2.38
Vacuum cleaner	42	0.86
Air conditioning	68	0.38
Television	9	2.39
Video recorder	49	0.72
Stereo	61	0.50
Phone	7	2.69
Dryer or dishwasher	71	0.34

a refrigerator; 3 non-ownership of a TV set; 4 non-ownership of at least two of the following durables: washing machine, vacuum cleaner, air conditioning, video player, stereo, telephone; 5 non-ownership of a car; 6 non-ownership of an apartment (house); 7 negative savings.[4]

Computing the percentage of poor according to the various approaches
Although we do not give here the detailed results of the various aggregation procedures, it turns out that for more than 85 per cent of households the membership function is smaller than 0.3. There are some households for which the membership function is equal to zero. This percentage is particularly high when applying the Vero–Werquin Approach (29 per cent). This result should not surprise us too much. The approach is based only on the use of dichotomous variables and one may therefore expect to observe not a small percentage of households for which the value of each of the seven indicators introduced is equal to zero. Note, however, that once the value of the membership function is greater than 0.1–0.15, the membership function takes a higher value when using the TFA or TFR approach than when applying the Vero–Werquin algorithm.

Table 9.2 gives the final percentage of poor households obtained according to each of the three approaches (TFA, TFR and VWA) and compares it with the results derived from a uni-dimensional approach to poverty measurement (the official poverty ratio computed that year by the National Insurance Institute and the percentage of poor obtained on the basis of our consumption survey, when the poverty line is equal to 50 per cent of either the median income or the median level of expenditures).

TABLE 9.2 Percentage of the poor according to each of the three approaches

Approach chosen	Percentage of poor households	Percentage of poor individuals
Poverty line defined by the National Insurance Institute	–	16.4
Poverty line equal to 50% of the median income (BLY)	12.3	14.8
Poverty line equal to 50% of the median expenditure (BLE)	10.3	12.6
TFA	15.6	14.6
TFR	17.0	16.6
VWA	15.2	14.7

It appears that whatever fuzzy approach to poverty measurement is adopted, the percentage of poor households is always higher than that of poor individuals, the diametric opposite to the result obtained with a uni-dimensional approach to poverty. The reason for these conflicting results is that in any fuzzy approach to poverty households including only one member are often classified as poor because an individual living alone will often not find it worthwhile to buy a washing machine or an oven, as he may well prefer to buy pre-cooked food or use the services of a launderette. Similar differences appear when one looks at households including only two members, or young households.

How similar are the results obtained with the various uni- and multi-dimensional approaches? Let us take an example. Table 9.2 indicates that, according to the uni-dimensional approach based on the use of income, 12.3 per cent of households were poor, while this percentage was 15.6 according to the TFA algorithm. Table 9.3, which gives the degree of overlap between the various approaches, indicates that 8.1 per cent of the households are classified as poor according to both the 'income approach' and

TABLE 9.3 Degree of overlap between the various approaches (percentage of households that are poor according to the two approaches compared)

	BLY	BLE	TFA	TFR	VWA
BLY		6.4	8.1	6.3	5.5
BLE			5.5	4.8	2.9
TFA				13.9	9.9
TFR					10.6
VWA					

TABLE 9.4 Percentage of households that are poor according to any of n criteria (n = 1 to 5)

Criterion	Percentage of poor households
According to all the five approaches	2.0
According to at least four approaches	6.2
According to at least 3 approaches	13.5
According to at least 2 approaches	19.9
According to at least 1 approach	28.9

the TFA approach. As a whole one will observe that there is a high degree of overlap between the various fuzzy approaches but that the overlap is much smaller when comparing a uni- with a multi-dimensional approach.[5]

Finally, Table 9.4 gives the percentage of households that are poor according to any of the five methods or according to four, three, two or one of the five approaches. It turns out that if only 2 per cent of the households are poor according to all five approaches, more than 25 per cent (in fact 28.9 per cent) of households are poor according to at least one of the five estimation methods. This is an important result that shows that multi-dimensional approaches to poverty are a useful complement to the more traditional (and uni-dimensional) approaches to poverty measurement. These apparently conflicting figures could evidently have important implications from a welfare policy point of view. Although additional work is required before firmer conclusions may be drawn, it might not be unreasonable to assume that a 'fuzzy approach to poverty measurement', focusing on the ownership of durable goods, which was adopted in this study, measures not only the standard of living but also aspects of quality of life. This could explain why poverty rates are higher when derived on the basis of the 'fuzzy approach'. Government budget constraints would then clearly determine whether welfare policies could also aim at reducing poverty in terms of quality of life.

The determinants of uni- and multi-dimensional poverty

Simple correlations Gender, age, working status, type of household, number and age of children, year of immigration and size of family are all factors that may affect the probability of being poor. In the first stage of this analysis of the determinants of poverty we will present a certain number of cross-tables that will give, for each of the variables that have just been mentioned, the probability of being poor according to the value taken by these variables.

THE ROLE OF GENDER Table B.6 in Appendix B gives the percentage of poor households, according to each of the five approaches previously described, as a function of the gender of the household head. It appears first that the percentage of poor households is much higher when the head of a household is a woman. One should also note, however, that the gap between the percentage of poor observed when the head of the household is a man and when it is a woman is much higher according to any of the fuzzy approaches than when a uni-dimensional approach to poverty measurement is used.

THE IMPACT OF THE AGE OF THE HOUSEHOLD HEAD Table B.7 shows that, as expected, the percentage of poor households is smallest when the head of the household belongs to the middle age range. It is higher when the head is older than sixty and highest when he or she is under thirty. As indicated above, the percentage of the poor in households headed by a young person is much higher when a multi-dimensional approach is adopted. The reason again is simply that young individuals will manage to reach an income level that is higher than the poverty line much earlier than they will own all the durables that are found in typical Israeli households.

THE ROLE OF WORKING STATUS It is not surprising to find that households whose head is not working have a much higher probability of being poor (see Table B.8). Note again that in this case the percentage of the poor is higher when a fuzzy approach is selected.

SINGLE-PARENT HOUSEHOLDS In Israel, as in many other countries, poverty is much more prevalent among single-parent families (see Table B.9).

EFFECT OF THE NUMBER AND AGE OF CHILDREN As expected, poverty is much more common in families with at least four children who are younger than eighteen (see Table B.10). Remember that when income is introduced into the computation of the poverty rate (for example, in the income-based uni-dimensional approach to poverty measurement), the size of the household has been taken into account.

NEW IMMIGRANTS VERSUS OLD-TIMERS New immigrants have been defined here as those having come to Israel after 1987. The results (see Table B.11) are striking since, whatever the approach adopted, poverty is at least twice as high among new immigrants.

THE EFFECT OF THE SIZE OF THE FAMILY It appears (see Table B.12) that poverty is lowest among households with four or five members and highest among big households (six or more members).

Results of a logit analysis It is well known that when the dependent variable is dichotomous and may take only the values zero or one, traditional linear regression should not be used. Rather, the analysis should be based, for example, on the use of the logistic function, where the probability that a dependent variable is equal to 1, given a set of exogenous variables X, will be expressed as

$$P(Y=1/X) = 1/\ (1 + e^{-Z})$$

where $Z = \beta X$

It is easy to see that when X varies from $-\infty$ to $+\infty$, P will vary from zero to one. Note also that $P/(1-P) = e^Z$.

In the following analysis different types of dependent variables have been successively introduced: the probability of being poor according to the income-based uni-dimensional approach (BLY), the expenditures-based uni-dimensional approach (BLE), the TFA fuzzy approach, the TFR fuzzy approach, the Vero–Werquin (VW) fuzzy approach, the probability of being poor according to four out of the five approaches or one of the five approaches.

The following exogenous variables have been taken into account: the gender of the head of the household; his/her age; the square of the age; a dummy variable equal to one if the head of the household was born in Israel; a dummy variable equal to one if the head of the household immigrated to Israel after 1987; the number of years of schooling; a variable equal to the product of the years of schooling times a dummy variable equal to zero if the head of the household does not work or if he or she is a new immigrant (equal to one otherwise);[6] a dummy variable equal to one if the head of the household is self-employed, to zero if he or she is a wage earner; a dummy variable equal to zero if the head of the household works (equal to one otherwise); a dummy variable equal to one when the household is located in one of the three big cities: Jerusalem, Tel-Aviv or Haifa (equal to zero otherwise); a dummy variable equal to one if there are at least four children younger than eighteen in the household (equal to zero otherwise); and a dummy variable equal to one if the household is single parent (equal to zero otherwise).

Table 9.5 presents the results of this logit analysis.

The sign of most of the coefficients is the one that was expected and in many cases the coefficients were significantly different from zero. Here is a summary of what may be learned from these results.

THE ROLE OF GENDER Whereas gender does not have any significant

TABLE 9.5 Results of the logit analysis

	Estimation method						
Variable	BLY	BLE	TFA	TFR	VWA	At least 4	At least 1
Sex	0.034	-0.007	0.662	0.577	0.520	0.513	0.520
	(-0.05)	(5.94)	(5.36)	(4.64)	(3.16)	(5.41)	(0.25)
Age	-0.097	-0.073	-0.225	-0.225	-0.176	-0.170	-0.181
	(-5.23)	(-3.91)	(14.24)	(-14.91)	(-11.46)	(-7.71)	(-13.12)
Square of age	0.005	0.005	0.002	0.002	0.001	0.001	0.001
	(2.80)	(2.65)	(12.12)	(12.82)	(9.56)	(6.24)	(10.28)
Born in Israel	-0.341	-0.082	-0.275	-0.389	0.024	-0.016	-0.348
	(-2.42)	(-0.57)	(-2.20)	(-3.35)	(0.21)	(-0.09)	(-3.609)
New immigrants	0.896	0.973	1.349	0.964	1.212	1.232	1.432
	(5.48)	(5.69)	(8.88)	(6.55)	(8.16)	(6.41)	(9.97)
Years of schooling	-0.088	-0.091	-0.053	-0.033	0.023	-0.044	-0.061
	(-7.71)	(-7.49)	(-5.30)	(-3.46)	(2.37)	(-3.31)	(-6.77)
Interaction of schooling with work or immigration	-0.071	-0.074	-0.040	-0.028	-0.07	-0.050	-0.037
	(-4.32)	(-4.42)	(-2.77)	(-2.10)	(-0.57)	(-2.30)	(-3.09)
Self-employed	0.778	0.286	0.370	0.421	0.129	1.178	0.342
	(3.25)	(1.41)	(1.88)	(2.35)	(0.45)	(2.51)	(2.53)
Head of household does not work	2.087	0.782	1.520	1.529	1.477	2.754	1.424
	(7.37)	(3.12)	(6.28)	(6.74)	(6.57)	(5.47)	(7.55)
Lives in big city	-0.631	-0.426	-0.223	-0.162	0.134	-0.341	-0.269
	(-6.12)	(-4.07)	(-2.47)	(-1.90)	(1.52)	(-2.52)	(-3.69)
More than 4 members in the household	1.670	1.501	0.969	1.167	0.995	1.679	1.485
	(11.73)	(10.69)	(6.91)	(9.14)	(7.40)	(9.20)	(13.11)
Single-parent household	0.774	0.358	0.228	-0.23	0.390	0.179	0.397
	(3.50)	(1.51)	(1.10)	(-1.09)	(1.96)	(0.65)	(2.14)
Constant	1.417	0.931	4.207	4.044	1.709	0.486	4.375
	(2.60)	(1.71)	(8.96)	(9.17)	(3.91)	(0.65)	(10.96)

effect when poverty is measured on a uni-dimensional basis, it turns out that households headed by a woman have a higher probability of being poor when poverty is measured by one of the fuzzy approaches.

THE ROLE OF AGE With other things constant, age has a non-linear effect on the probability of being poor, the latter first decreasing then increasing with age, the smallest probability being reached with the TFA and TFR approaches.

THE ROLE OF THE PERIOD OF IMMIGRATION Households whose head was born in Israel have the lowest probability of being poor while this probability is highest among those whose head immigrated after 1987. Needless to say, these results stress the role played by the knowledge of the Hebrew language as well as that of the 'connections' that individuals accumulate as they stay longer in the country. Note that (these results were not reported), given the period of immigration, no difference was found to be significant between households whose head is of Western (born in Europe or America) and those whose head is of Eastern (born in Asia or Africa) origin.

THE IMPACT OF SCHOOLING With the exception of one case, where the results were not significant, it appears that a higher level of schooling increases the probability of getting a job and thus decreases that of being poor. Moreover, this negative influence of the number of years of education on the probability of being poor is stronger when the head of the household is in employment.

THE ROLE OF WORK STATUS Heads of households who are self-employed or unemployed have a higher probability of being poor.

THE EFFECT OF THE AREA OF RESIDENCE Other things being constant, living in one of the three big cities decreases the probability of being poor.

THE IMPACT OF THE PRESENCE OF CHILDREN Other things being constant, whatever the approach one chooses, having at least four children younger than eighteen increases the probability of being poor.

SINGLE-PARENT FAMILIES Finally, being a single-parent household does not necessarily increase the probability of being poor. The results depend on the poverty measurement approach that is chosen. In some cases the coefficient of this variable is positive and significant, while in some other cases the coefficient is not significantly different from zero.

A comparison with an analysis based on the 1995 census In a recent study, Deutsch and Silber (2005) have also taken a multi-dimensional approach to poverty measurement. Their analysis was based on the 1995 census, the latest conducted in Israel. Although Deutsch and Silber (ibid.) tested various multi-dimensional approaches, they also have a chapter devoted to the 'fuzzy approach' – and derived the following results. According to the Totally Fuzzy Absolute Approach (TFA) 23.9 per cent of households were poor. When the Totally Fuzzy and Relative Approach (TFR) was adopted, 26.4 per cent of households were poor. Finally, with the Vero–Werquin Approach (1997) they concluded that 27.5 per cent of households were poor. These results show significantly higher values for the percentage of the poor than those given in Table 9.2 for each of the three 'fuzzy approaches'.

It should be noted, however, first that the census took place two years after the survey used in our study, and second that the list of variables taken into account in the Deutsch and Silber analysis was somewhat broader than those used here. On the one hand, their analysis did not include any information on the presence of an oven, a refrigerator (or a freezer), a vacuum cleaner or a stereo, or on income and savings. On the other hand, Deutsch and Silber had separate information on the presence of a dryer and a washing machine (this represented one indicator in our study). They also had additional information concerning the number of rooms per individual, the year of construction of the dwelling, whether it was owned by the household, the presence of a bath or shower, a personal computer or a solar heating system, and the number of cars per individual. Given these differences, one should not be surprised to find that the percentages of poor households were different in the two surveys.

The findings were quite similar, however, in the logit analysis. Deutsch and Silber (ibid.) thus concluded that poverty decreases with the schooling level of the head of the household, and first decreases and then increases with his/her age and with the size of the household. They also noted that poverty was higher when the head of the household was single and lower when he/she was married, that poverty was lowest when the head of the household was Jewish and highest when he/she was Muslim. Finally, they observed that poverty was also higher among households whose head immigrated in recent years, did not work or lived in Jerusalem rather than in other areas of the country.

Conclusions

In this chapter an attempt was made to compare three 'fuzzy set' approaches to multi-dimensional poverty measurement: the Totally Fuzzy Absolute Approach (TFA) originally proposed by Cerioli and Zani (1990), the

Totally Fuzzy and Relative Approach (TFR) proposed by Cheli and Lemmi (1995) and a recent proposal made by Vero and Werquin (1997). The database was the Family Expenditures Survey that was conducted in Israel in 1992/93. Our empirical investigation did not show striking differences between the results derived on the basis of the three approaches that were compared. In all three cases we found that poverty largely affects the unemployed, the less educated, larger families, or single individuals and new immigrants. The percentage of the poor varied from 15 to 17 per cent, depending on the approach used. These results were lower than those obtained on the basis of the 1995 census, albeit in a study that included more indicators. On the other hand, the poverty rates we found in the present study are higher than the headcount ratio obtained (10–12 per cent) when one applies a traditional uni-dimensional approach to the same set of data. Note also that these headcount ratios are significantly smaller than those obtained by Israel's National Insurance Institute on the basis of the income survey conducted in 2003. Finally, one may want to stress that our comparison of three 'fuzzy approaches' has shown that 2 per cent of individuals were poor, whatever the approach used, whereas 29 per cent were poor according to at least one of these approaches.

The findings of the present study seem to lead to at least three important policy implications. First, since poverty is found to be higher when using a multi-dimensional approach, there seems to be a strong case for at least complementing the traditional uni-dimensional approach taken in Israel with a multi-dimensional approach. Second, since, as far as the identification of the poor households is concerned, there is only a partial degree of conformity between the various 'fuzzy approaches' taken in this study as well as between the multi- and uni-dimensional approaches, there also seems to be a strong case for using more than one multi-dimensional approach. Finally, although the various approaches may lead to conflicting results if the goal of the analysis is to individually identify poor households, there is a much wider agreement concerning the determinants of poverty and hence the segments of the population upon which one has to focus the fight against poverty. Thus, it appears that poverty decreases with the schooling level of the head of the household, and first decreases and then increases with his/her age. Poverty is higher among households with four or more members, among immigrants, when the head of the household does not work or when the household is single-parented. Several of these factors, such as the size of the household, the age, educational level and working status of its head, and the length of stay in the country, have been stressed in studies of poverty in other countries (see Atkinson 1998). The dramatic increase of (relative) poverty in Israel in recent years mentioned above but examined in our empirical investigation is, however, likely to be related more to specific factors such as the Second Intifada and the deliberate restructuring of the Israeli welfare state.

Appendix A: the theory of fuzzy sets and its applications to multi-dimensional poverty measurement

The theory of 'fuzzy sets' was developed by Zadeh (1965) on the basis of the idea that certain classes of objects may not be defined by very precise criteria of membership. In other words, there are cases where one is unable to determine which elements belong to a given set and which ones do not. Zadeh himself (ibid.) characterized a fuzzy set (class) as 'a class with a continuum of grades of membership'.

Let there be a set X and let x be any element of X. A fuzzy subset A of X is defined as the set of the couples

$$A = \{x, \mu_A(x)\}$$

for all $x \in X$ where μ_A is an application of the set X to the closed interval [0,1], which is called the membership function of the fuzzy subset A. In other words, a fuzzy set or subset A of X is characterized by a membership function $\mu_A(x)$ which will link any point of X with a real number in the interval [0,1], the value of $\mu_A(x)$ denoting the degree of membership of the element x to the set A.

If A were a set in the sense that this term is usually understood, the membership function which would be associated to this set would take only the values 0 and 1. One would then write that

$\mu_A(x) = 1$ if x belongs to the subset A

and $\mu_A(x) = 0$ if x does not belong to the set A.

But if A is a fuzzy subset, we will say that $\mu_A(x) = 0$ if the element x does not belong to A and that $\mu_A(x) = 1$ if x *completely* belongs to A. But if $0 < \mu_A(x) < 1$, x belongs only partially to A and the closer to 1 the value of $\mu_A(x)$, the greater the degree of membership of x to A.

These simple ideas may be easily applied to the concept of poverty, especially if one adopts a multi-dimensional approach to poverty measurement.

The Totally Fuzzy Approach (TFA) Cerioli and Zani (1990) were the first to apply the concept of fuzzy sets to the measurement of poverty. Their approach is called the Totally Fuzzy Approach (TFA) and the idea is to take into account a whole series of variables that are supposed to measure a particular aspect of poverty. When defining the membership function three cases should be distinguished.

DICHOTOMOUS VARIABLES The typical case is that of variables that indicate whether an individual owns a given durable good or not. Let D_l be the subset of individuals (households) deprived of good l, with $l=1, \ldots, k_d$. Let d_l be the set of dichotomous variables $d_{1l}, \ldots, d_{il}, \ldots, d_{nl}$ representing the ownership status of the various n individuals with respect to good l. In such a case the subset D_l will not be a fuzzy set because the membership function may be defined as

$\mu_{Dl}(i) = 1$ if $d_{il} = 0$
and $\mu_{Dl}(i) = 0$ if $d_{il} = 1$

where d_{il} takes the value zero when individual i does not possess good l and the value 1 in the opposite case. In other words, when the membership function takes the value 1 it indicates a condition of absolute deprivation whereas a value of zero shows the absence of deprivation. The membership function is hence defined here as in the case of traditional sets.

POLYTOMOUS VARIABLES When analysing poverty there may be qualitative variables that may take more than two values. Let us assume that one may rearrange these values in increasing order, where higher values denote a higher risk of poverty.

Let O_l be the subset of individuals (households) who are in a situation of deprivation with respect to the indicator l, with $l = 1, \ldots, k_O$. Let also o_l be the set of polytomous variables $o_{1l}, \ldots, o_{nl}$ measuring the state of deprivation of the various individuals with respect to indicator l.

Let θ_l represent the set of the various states $\theta_{ll}, \ldots, \theta_{ls}$ that indicator l may take and let $\psi_{1l}, \ldots, \psi_{ml}, \ldots, \psi_{sl}$ represent the scores corresponding to these various states, assuming that $\psi_{1l} < \ldots < \psi_{ml} < \ldots < \psi_{sl}$.

A good illustration of the use of polytomous variables would be that in which individuals are asked to evaluate in subjective terms the state of their health or of the physical conditions of the apartment or house they live in, the possible answers being very good, good, medium, bad, very bad. Following Cerioli and Zani (1990) one would define the membership function $\mu_{ol}(i)$ of individual i as

$\mu_{ol}(i) = 0$ if $\psi_{1l} < \psi_{1min}$
$\mu_{ol}(i) = ((\psi_{1l} - \psi_{1min})/(\psi_{1max} - \psi_{1min}))$ if $\psi_{1min} < \psi_{1l} < \psi_{1max}$
$\mu_{ol}(i) = 1$ if $\psi_{1l} > \psi_{1max}$ (A-1)

where ψ_{1min} and ψ_{1max} denote respectively the lowest and highest values taken by the scores ψ_{1l}.

CONTINUOUS VARIABLES Income or consumption expenditures are good examples of deprivation indicators which are continuous. Cerioli and Zani (ibid.) have proposed to define two threshold values x_{min} and x_{max} such that if the value x taken by the continuous indicator for a given individual is smaller than x_{min} this person would undoubtedly be defined as poor whereas if it is higher than x_{max} he or she certainly should not be considered to be poor.

Let X_l be the subset of individuals (households) who are in an unfavourable situation with respect to the l-th variable with $l = 1,\ldots,k_x$. Cerioli and Zani (ibid.) have then proposed to define the membership function $\mu_{xl}(i)$ for individual i as

$$\mu_{xl}(i) = 1 \text{ if } 0 < x_{il} < x_{l,min}$$
$$\mu_{xl}(i) = ((x_{l,max} - x_{il})/(x_{l,max} - x_{l,min})) \text{ if } x_{il} \in [x_{l,min}, x_{l,max}]$$
$$\mu_{xl}(i) = 0 \text{ if } x_{il} > x_{l,max} \quad \text{(A-2)}$$

Some authors have sought to modify Cerioli and Zani's Totally Fuzzy Approach (TFA) and suggested what they have called the Totally Fuzzy and Relative Approach (TFR).

The Totally Fuzzy and Relative Approach (TFR) These suggestions were originally made by Cheli et al. (1994) and Cheli and Lemmi (1995).

Let Ξ_j represent the subset of individuals (households) who are deprived with respect to indicator j with $j = 1,\ldots,k$. Let ξ_j be the set of dichotomous, polytomous or continuous variables $\xi_{1j},\ldots,\xi_{nj}$ that measure the state of deprivation of the various n individuals with respect to indicator j and let F_j be the cumulative distribution of this variable. One may then define the membership function in two ways, depending on whether the degree of deprivation increases or decreases with the value taken by the variable ξ_j. In the first case the membership function $\mu\Xi_j(i)$ will be defined as

$$\mu_{\Xi j}(i) = F_j(\xi_{ij}) \quad \text{(A-3)}$$

whereas in the second case it will be defined as

$$\mu_{\Xi j}(i) = 1 - F_j(\xi_{ij}) \quad \text{(A-4)}$$

Cheli and Lemmi (ibid.) consider that such a formulation is less arbitrary than the one originally proposed by Cerioli and Zani (1990), especially for polytomous and continuous variables, because in both cases one has to define critical threshold values. Moreoever, the TFR approach has the advantage of taking a relative approach to poverty (the one taken in most developed countries), i.e. of stressing that one is usually poor with respect to some other individuals.

These authors, however, have stressed that when the risk of poverty is very low, i.e. a high proportion of individuals will not be considered as poor, the value taken by the indicator of poverty may be too high for those who turn out not to be poor. Therefore, they proposed the following solution:

Let $\xi_{j(m)}$ with m = 1 to s refer to the various values, ordered by increasing risk of poverty, which the variable ξ_j may take. Thus, $\xi_{j(1)}$ represents the lowest risk of poverty and $\xi_{j(s)}$ the highest risk of poverty associated with the deprivation indicator j. The authors then propose to define the degree of poverty of individual (household) i as:

$$\mu_{\Xi j}(i) = 0 \text{ if } \xi_{ij} = \xi_{j(1)}$$

and

$$\mu_{\Xi j}(i) = \mu_{\Xi j}(\xi_{j(m-1)}) + ((F_j(\xi_{j(m)}) - F_j(\xi_{j(m-1)}))/(1 - F_j(\xi_{j(1)})) \text{ if } \xi_{ij} = \xi_{j(m)},$$
$$m > 1 \quad \text{(A-5)}$$

where $\mu_{\Xi j}$ ($\xi_{j(m-1)}$ denotes the membership function of an individual for which the variable ξ_j takes the value m and F_j is the distribution function of the variable ξ_j .

Aggregating the various deprivation indicators in both the TFA and TFR cases Let $\mu_{\Xi j}$ (i) refer as before to the value taken by the membership function for indicator j and individual i, with j = 1 to k and i = 1 to n. Let w_j represent the weight one wishes to give to indicator j. The overall (over all indicators j) membership function μ_P (i) for individual i will then be defined as

$$\mu_P(i) = \Sigma_{j=1 \text{ to } k} w_j \mu_{\Xi j}(i) \quad \text{(A-6)}$$

For the choice of the weight w_j, Cerioli and Zani (1990), as well as Cheli and Lemmi (1995), have proposed to define it as:

$$w_j = \ln(1/\mu b_{\Xi j})/\Sigma_{j=1 \text{ to } k} \ln(1/\mu b_{\Xi j}) = \ln(\mu b_{\Xi j})/\Sigma_{j=1 \text{ to } k} \ln(\mu b_{\Xi j}) \quad \text{(A-7)}$$

where $\mu b_{\Xi j} = (1/n)\, \Sigma_{i=1 \text{ to } n}\, \mu_{\Xi j}$ (i) represents the fuzzy proportion of poor individuals (households) according to the deprivation indicator ξ_j. One may observe that the weight w_j is an inverse function of the average degree of deprivation in the population according to the deprivation indicator ξ_j. Thus, the lower the frequency of poverty according to a given deprivation indicator, the greater the weight this indicator will receive. The idea, for example, is that if owning a refrigerator is much more common than owning a dryer, a greater weight will be given to the former indicator so that if an individual does not own a refrigerator, this rare occurrence will be taken into account much more in computing the overall degree of poverty than if some individual does not own a dryer, a case that is more frequent.

Having computed for each individual i the value of his membership function $\mu_{\Xi j}$ (i) , that is his 'degree of belonging to the set of poor', we will now, again following Cerioli and Zani (1990), define the average value P of the membership function as

$$P = (1/n)\, \Sigma_{i=1 \text{ to } n}\, \mu_P(i) \quad \text{(A-8)}$$

The Vero and Werquin (1997) Approach One of the serious problems one faces when taking a multi-dimensional approach to poverty measurement, such as the fuzzy approach described, is that some of the indicators one uses may be highly correlated. To solve this problem, Vero and Werquin (1997) have proposed the following solution.

Again, let k be the number of indicators and n the number of individuals. Let f_i measure the proportion of individuals who are at least as poor as individual i when taking into account all the indicators.

The following example illustrates the computation of f_i. Let X1 be equal to 1 if the household does not have a bathroom, X2 be equal to 1 if the household does not have a car and X3 be equal to 1 if the household does not have a telephone. Let there be 6 individuals. Table A.1 gives the values taken by these three indicators for each of them as well as the value of the indicator f_i.

TABLE A.1 Computing the indicator f_i

Individual	X1	X2	X3	Indicator f_i
1	0	1	1	4/6
2	1	1	1	1/6
3	0	1	1	4/6
4	0	0	0	6/6
5	0	1	1	4/6
6	1	0	0	2/6

The deprivation indicator m_P (i) for individual i will then be defined as

$$m_P(i) = \ln(1/f_i) / \Sigma_{i=1 \text{ to } n} \ln(1/f_i) \quad \text{(A-9)}$$

The membership function μ_P (i) for individual i is then expressed as

$$\mu_P(i) = [m_P(i) - \mathrm{Min}\{ m_P(i) \}] / [\mathrm{Max}\{ m_P(i) \} - \mathrm{Min}\{ m_P(i) \}] \quad \text{(A-10)}$$

Finally, the average value of the membership function P, over all individuals, is, as before, defined as

$$P = (1/n)\, \Sigma_{i=1 \text{ to } n}\, \mu_P(i) \quad \text{(A-11)}$$

Appendix B: additional tables

TABLE B.1 Number of standardized persons as a function of the size of the household

Number of household members	Number of standardized members	Weight of marginal person
1	1.25	1.25
2	2.00	0.75
3	2.65	0.65
4	3.20	0.55
5	3.75	0.55
6	4.25	0.50
7	4.75	0.50
8	5.20	0.45
9	5.60	0.40
Any additional person		0.40

TABLE B.2 Membership function, using the TFR approach, for income

Value of f computed according to expression (5)	Income, as a percentage of the median income
0	>100
0.28	80 to 100
0.60	60 to 80
0.87	40 to 60
1	<40

TABLE B.3 Membership function, according to the TFR approach, for savings

Savings, as a percentage of income	Value of f computed according to expression (5)
>15	0
0 to 15	0.24
-15 to 0	0.46
-30 to -15	0.65
<-30	1

TABLE B.4 Membership function, according to the TFR approach, for house (apartment) ownership

Value of the apartment (or house) in thousands of shekels	Relative frequency (with respect to the total number of households)	Cumulative frequency	Value of f computed according to expression (5)
>400	0.19	0.19	0
200 to 400	0.36	0.55	0.44
0 to 200	0.20	0.75	0.69
0	0.25	1	1

TABLE B.5 Membership function, according to the TFR approach, for car ownership

Value of the car in thousands of shekels	Relative frequency (with respect to the total number of households)	Cumulative frequency	Value of f computed according to expression (5)
>30	0.188	0.188	0
22.5 to 30	0.079	0.267	0.09
15 to 22.5	0.092	0.359	0.21
7.5 to 15	0.094	0.453	0.326
0 to 7.5	0.067	0.520	0.414
0	0.480	1	1

TABLE B.6 Percentage of the poor according to the various methods and by gender of the household head

	Women	Men	Total
Share in total population	18.0	82.0	100
BLY	16.6	11.3	12.3
BLE	12.4	9.9	10.3
TFA	26.7	13.1	15.6
TFR	26.3	15.0	17.0
VWA	23.6	13.1	15.2

TABLE B.7 Percentage of the poor according to the various methods and by age of the household head

	Less than 30	30–60	Older than 60	Total
Share in total population	9.9	63.7	26.4	100
BLY	18.8	11.7	11.2	12.3
BLE	13.0	9.7	10.8	10.3
TFA	36.9	11.5	17.3	15.6
TFR	40.0	12.8	18.6	17.0
VWA	36.7	12.3	14.3	15.2

TABLE B.8 Percentage of the poor according to the various methods and by work status of the household head

	Working	Not working	Total
Share in total population	67.4	32.6	100
BLY	7.4	22.3	12.3
BLE	7.4	16.3	10.3
TFA	10.0	27.0	15.6
TFR	11.6	28.2	17.0
VWA	10.7	24.6	15.2

TABLE B.9 Percentage of the poor according to the various methods and by type of household

	Single-parent households	Non-single-parent households	Total
Share in total population	4	96	100
BLY	28.8	11.6	12.3
BLE	17.8	10.0	10.3
TFA	30.3	14.9	15.6
TFR	24.0	16.7	17.0
VWA	29.8	14.6	15.2

TABLE B.10 Percentage of the poor according to the approach chosen and by number of children

	With more than four children under the age of 18	With less than four children under the age of 18	Total
Share in total population	9.8	90.2	100
BLY	29.4	10.4	12.3
BLE	24.9	8.7	10.3
TFA	21.5	14.9	15.6
TFR	27.4	15.9	17.0
VWA	22.3	14.5	15.2

TABLE B.11 Percentage of the poor according to the approach chosen and by immigration status

	New immigrants	Born in Israel or individuals who immigrated a long time ago	Total
Share in total population	11.3	88.7	100
BLY	26.5	10.4	12.3
BLE	22.6	8.7	10.3
TFA	38.1	12.7	15.6
TFR	34.7	14.8	17.0
VWA	34.0	12.8	15.2

TABLE B.12 Percentage of the poor according to the approach chosen and by size of household

	1	2	3	4	5	6	7 or more
Share in total population	13.7	22.0	14.1	18.3	16.0	8.2	7.8
BLY	11.8	8.8	11.1	9.7	10.6	16.3	30.1
BLE	9.7	7.0	8.7	9.1	8.9	16.0	23.1
TFA	30.5	15.4	14.3	10.7	8.2	10.1	24.4
TFR	33.0	16.9	13.4	10.9	9.4	11.8	31.6
VWA	26.2	16.0	14.3	11.1	8.7	8.5	25.9

Notes

1 For a detailed review of the evolution of poverty measurement in Israel, see Monnickendam (2004).

2 This equivalence scale assumes, for example, that a one-member family corresponds to 1.25 standard persons, a two-member family to 2 and a four-member family to 3.2. See the details in Table A.1.

3 The difference between the poverty rates published by the National Insurance Institute and those derived in this study on a uni-dimensional basis may well be due to the fact that until 1997 the National Insurance Institute used data from income surveys while the present study is based on a consumption expenditures survey.

4 It should be stressed that the figure obtained for negative savings could be biased if it is assumed, as is often the case, that household income is underestimated and household consumption overestimated.

5 In a recent study on the dynamics of deprivation, Berthoud et al. (2004) found that the overlap between income and deprivation indicators is likely to be greater if current income is measured more precisely and income measured over three or even five years.

6 This variable was introduced in order to neutralize the following possibilities: some new immigrants with a high level of schooling may not work and students of 'talmudic schools' may have studied many years but may not work.

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10 | The making of poverty in Palestine

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In the Palestinian areas poverty has increased dramatically in the last few years. Although there was a progressive decrease in the rate of households living below the poverty line in the years following the establishment of the Palestinian Authority (from 24 per cent in the mid-1990s to 20 per cent at the end of the decade), the incidence of poverty has risen sharply since the beginning of the Second Intifada in September 2000. According to a World Bank report (2003), 60 per cent of the population of the West Bank and the Gaza Strip were, in 2002, living below a poverty line of US$2 per day. The numbers of the poor have tripled from 637,000 in September 2000 to nearly 2 million at the end of 2002. The Palestinian Central Bureau of Statistics (PCBS) puts the Palestinian population living in the West Bank and the Gaza Strip (WBG) (including East Jerusalem) at 3,464,000 in mid-2002 (a projection made by the bureau on the basis of the 1997 census data; see PCBS 2000a: Table 3).

A report by the Office of United Nations Special Co-ordinator in the Occupied Territories (UNSCO), which covered the first half of 2002, came to the conclusion that the Palestinian economy was in deep depression as a result of closures, curfews and restrictions on the mobility of people and commodities. Consumption and income levels declined drastically, leading to a sharp increase in poverty levels (70 per cent in the Gaza Strip and 55 per cent in the West Bank) and in unemployment (estimated at 50 per cent), and to a rise in moderate to acute malnutrition among children (UNSCO 2002: 5–10). The report concludes that total economic collapse has been prevented only by the continued injection of budgetary support from international donors,[1] the release of a small percentage of the Palestinian Authority (PA) revenues withheld by Israel, and by humanitarian aid, the sources of which are precarious.

The acute dependency of the Palestinian economy on Israel's and the severity of measures taken by the Israeli army and government to suppress the Intifada explain the tripling of the incidence of poverty in the WBG between 2000 and 2003.

Since the establishment of the PA in 1994 over areas in the WBG, new concepts, rarely used previously, have entered the Palestinian discourse. These concepts include poverty, gender, sustainable human development, human rights and civil society (Hilal and Johnson 2001). Their novelty does not mean that they are irrelevant to the Palestinian reality. In fact, they have initiated a new interest in the emerging reality, both in response to the policy requirements of the newly established Palestinian self-government and the agendas of international organizations, as well as in terms of the impact of Israeli policies, since most of the WBG remained under Israeli direct occupation and control. Such concepts appeared to be needed as analytical tools with the emergence and accumulation of a new wealth of data soon after the establishment of a productive Palestinian Central Bureau of Statistics (PCBS) in 1993. Nevertheless, the new discourse implied tasks and issues that are more relevant to stable societies with defined territorial boundaries, and with viable state structures and a reasonable degree of control over basic resources. In short, a discourse of development could only begin to make sense within a context of a discourse of freedom, and its enlargement, as Amartya Sen (1999) suggests.

Indeed, poverty does imply a loss of freedom, both in the sense of freedom from (disease, hunger, need, etc.), and freedom to (for example, participate in public life, travel, express one's opinions, etc.). To my understanding, freedom is not restricted to the sphere of the individual but encompasses societies and peoples, and thus includes freedom to self-determination and freedom from repression and military occupation and various other forms of repression. As one United Nations report has commented recently, poverty is about the lack of human capabilities, and 'is almost synonymous with powerlessness' (UNDP 2002: 96). Closures, curfews, collective punishments, building of colonial settlements and 'separation walls' under the pretext of 'security', restrictions on movement and on access to facilities and services are restrictions on freedom, involve exclusion and violations of human rights, and thus are forms of poverty.

One result of the dissemination of a development discourse and the availability of funds from donors has been an interest in mapping poverty in the West Bank and the Gaza Strip. Such interest was initiated by newly established research centres such as the Palestine Economic Policy Research Institute (MAS), and later the Development Studies Programme (DSP) affiliated to Birzeit University, both highly dependent on external grants. It was the establishment of a National Poverty Eradication Commission (NPEC) in 1997, however, which produced the first comprehensive survey of poverty in the WBG (NPEC 1998). The commission comprised various institutions, including: PCBS, MAS, the Women's Studies Centre and DSP (Birzeit University), the Palestinian Ministry of Planning and International Cooperation (MOPIC) and the United Nations Development Programme (UNDP), which attended meetings as an observer. The commission received support from an inter-ministerial committee and advice from a number of experts and consultants.

The commission produced a poverty report in 1998, relying mainly on an analysis of a survey of household consumption and expenditure in WBG for the years 1996 and 1997. Using the same methodology the PCBS provided a poverty profile for the year 1998 (PCBS 2000b). Since then the World Bank has produced reports on poverty in the WBG (see World Bank 2001, 2003). Also, MOPIC and UNDP published a national report on Participatory Poverty Assessment (in July 2002).

This chapter is a summary reading and analysis of both the quantitative and qualitative data referred to above and gathered in WBG during the period 1997–2001. It aims at giving profiles of the poor, emphasizing the fact that they are not a homogeneous mass, but are composed of different groups indicating different factors or mechanisms responsible for their poverty. The chapter argues that an understanding of poverty requires an understanding of the various mechanisms (local, national, regional and international) that produce and reproduce poverty. These include a war-like situation and military conflict.

Indeed, a full comprehension of the production and reproduction of poverty among Palestinians would need a historical dimension ranging, probably, from the second half of the nineteenth century with the beginning of land registration and privatization during Ottoman rule to the British Mandate over Palestine following the First World War, the acceleration of Zionist colonization, the penetration of capitalist relations, the rapid integration of Palestine into the world capitalist system, and the West Bank coming under Jordanian rule, and the Gaza Strip under Egyptian rule, following the establishment of the Israeli state in 1948 on 78 per cent of Palestine. In 1967, Israel occupied the West Bank and the Gaza Strip following the June War. By then, capitalist and market relations had become dominant in these two areas, creating modern social classes. Israeli occupation, with its policy of encouraging Palestinian wage labour employment in its economy, together with a high rate of emigration from the WBG to the oil-producing Arab states up to the late 1980s, left Palestinian society immersed completely in a capitalist economy, albeit in a dependent and underdeveloped one. Each juncture in modern Palestinian history produced its specific type of poverty. As an example, the 1948 war with its dispossession and expulsion of large numbers of Palestinians produced the 'camp refugee' phenomenon, of which poverty became a permanent structural feature. The 1991 Gulf War led to the expulsion of nearly a third of a million Palestinians who had worked and lived for decades in Kuwait, creating in its wake poverty among them. The Second Intifada, to give another example, was met by the Israeli army with collective punishments that included closure and strict restrictions on employment of Palestinian labour inside Israel, and again engineered large-scale poverty, as we shall see. This chapter concerns itself with poverty after the establishment of the Palestinian Authority and does not deal with the history of poverty among Palestinians. Furthermore, it restricts its scope of interest to the West Bank and the Gaza Strip, and does not look at poverty among Palestinians in Israel, Lebanon, Jordan or Syria, the Gulf states or North America, to mention countries where large Palestinian communities exits.

Mapping Palestinian poverty

The definition of poverty developed by the Palestinian Poverty Commission in 1997, and adopted officially by the PA, combines both absolute and relative features. It was based on a budget of basic needs for a household of six individuals (two adults and four children). Two poverty lines were developed according to the actual spending patterns of Palestinian families. These were termed a 'deep poverty' line and a 'relative poverty' line. The first was calculated to reflect a budget for food, clothing and housing (considered to be absolute basic necessities), while the second line added other necessities, which included education, healthcare, transportation (for work), personal care and housekeeping supplies. The two lines were adjusted to reflect the different needs of families based on their consumption (i.e. household size and number of children). This meant that the poverty line varied by household size.[2]

The data on poverty in the Palestinian areas, before the Second Intifada, which began in late September 2000, reveal some noticeable features. The most significant are (a) a decline followed by a sharp rise in poverty rates owing to a war-like situation and (b) wide variations in poverty rates by region, district and type of locality.

Decline in poverty followed by a sharp rise owing to a war-like situation There was a decrease in the rate of households living below the poverty line before the Second Intifada. In the years 1996, 1997 and 1998,[3] those living below the relative poverty line constituted 24 per cent, 23 per cent and 20 per cent of all households in Palestinian areas.[4] If East Jerusalem is discounted, given the fact that it was unilaterally annexed by Israel in 1967 and is administered by it, the percentage of those living under the poverty line rises slightly. For the whole of the Palestinian territories (excluding Jerusalem) the figures for the above years were: 26 per cent, 25 per cent and 23 per cent respectively (World Bank 2001: 16). By the end of 2002, the incidence of poverty jumped to nearly three times that of its pre-September 2000 figure, i.e. to 60 per cent. The political significance of this fact cannot be ignored. War and colonial military domination are significant factors in the generation of poverty.

The decline in the rate of poverty is estimated to have continued up until the end of September 2000 (when the Intifada erupted) as a result of the decline in unemployment rates resulting from an easing of closures by Israel on Palestinian areas, the increase in the employment opportunities within the Palestinian labour market and an increase in the average daily wage.[5] The tripling of the incidence of poverty by the end of 2002 following the eruption of the Second Intifada came as a result of the Israeli army instituting severe restrictions on Palestinian labour in the Israeli economy and the imposition of curfews and restrictions on the movement of goods and people between Palestinian areas. Thus, the unemployment rate – using the International Labour Organization (ILO) definition of unemployment – rose, in the Gaza Strip, from 17 per cent in 1999 to 38 per cent in 2002, and in the West Bank from 9.5 per cent to 28 per cent for the same period.[6]

A survey conducted in early March 2003 on a representative sample of adults in the West Bank and the Gaza Strip found that 49.5 per cent (50 per cent in the former area and 48.5 per cent in the latter) described their economic situation as bad or very bad compared with only 13.5 per cent who described it as good or very good; the remainder described it as medium. Some 82 per cent of those interviewed said that the economic situation of their families had deteriorated compared with that which existed before the Second Intifada.[7] In comparison, a similar survey conducted in June 1996 revealed that 35.5 per cent described their economic situation as good or very good, 33 per cent as medium, and 31.0 per cent as difficult or very difficult (38 per cent in the Gaza Strip and 27 per cent in the West Bank) (Hilal and Maliki 1997).

The wide fluctuation in the incidence of poverty, particularly its rapid and dramatic rise, is not surprising given the vulnerability of the Palestinian population to the intervention of external factors, particularly to the sieges, closures and curfews imposed at an accelerating pace on WBG's towns, villages, and camps since the autumn of 2000.

Wide variations in poverty rates by region, district and type of locality

Wide regional and district variations in the incidence of poverty were found to be prevalent in Palestinian areas. Poverty was much more prevalent in the Gaza Strip than in the West Bank. The Gaza Strip has one of the highest population densities in the world. In 1996, the incidence of poverty among West Bank households was put at 16 per cent compared to 42 per cent in the Gaza Strip. In 1998, the incidence was 14.5 per cent and 33.0 per cent respectively. In 2002, the figures were 55 per cent and 70 per cent. The higher rate of decline in the Gaza Strip, compared to the West Bank, is related to the higher rate of dependency of Gaza Strip households on work in Israel compared with those in the West Bank. The period 1997 to September 2000 witnessed a lessening of the tight control on Palestinian employment in Israel.

The variations in poverty rates are also found within the two Palestinian regions. In the West Bank poverty incidence increased as one moved from the central districts (Jerusalem and Ramallah) to either northern or southern districts. In 1998, the variation in the incidence of relative poverty ranged from 41 per cent in the southern part of the Gaza Strip to less than 7 per cent in the centre of the West Bank (Ramallah district). The incidence of deep poverty also showed wide variations, reaching 28 per cent in southern Gaza compared with less than 5 per cent in the central district of Ramallah, and with 13 per cent in the northern district of Jenin (see Table 10.1).

TABLE 10.1 Poverty rates (as a percentage of households) in WBG, by governorate, 1998

Governorate	Distribution of population in deep poverty	Deep poverty rate	Distribution of population in poverty	Poverty rate
Jenin	9.1	13.3	8.7	20.5
Tulkarem	5.7	10.7	5.4	16.4
Qalqilya	2.0	6.7	3.0	15.9
Nablus	6.2	7.6	9.3	18.4
Ramallah/Bireh	3.6	4.6	3.2	6.6
Jerusalem	1.8	2.3	1.4	3.1
Bethlehem/Jericho	4.0	8.3	4.0	13.3
Hebron	13.8	12.2	14.2	20.4
Gaza City	14.9	18.7	12.7	25.9
Gaza North	8.2	13.9	7.9	27.6
Gaza Middle	10.1	25.0	9.5	37.9
Gaza South	21.6	28.1	19.7	41.1
Total	100	12.5	100	20.3

Source: PCBS 2000b: 33.

Significant variation also existed within each district (governorate). In Hebron district, for example, the rate of poverty in the town of Hebron in 1997 was about 15 per cent compared with 45 per cent in the large village of Yatta only a few kilometres south of that town. Many such examples are found (World Bank 2001: 37).

TABLE 10.2 Poverty rates by type of locality, West Bank and Gaza Strip, 1998 (%)

Types of localities	Poverty			Deep poverty		
	Rate	Distribution of population in poverty	Poverty gap	Resources needed to lift poor households to the poverty line (distribution)	Rate	Distribution of population in deep poverty
City	17.3	33.1	4.8	34.3	11.2	34.5
Village	18.3	40.4	4.6	37.7	10.7	38.1
Refugee camp	32.8	26.5	9.3	38.0	20.9	27.4
Total	20.3	100	5.5	100	12.5	100

Source: PCBS 2000b: Table 4.

Rates of poverty also varied according to type of locality. In the WBG, there are three types of localities: towns, villages and refugee camps. The latter were erected on rented land and on the outskirts of towns and cities by the United Nations, following the establishment of the state of Israel in 1948, to house refugees from areas on which Israel was established. There are nineteen refugee camps in the West Bank and eight in the Gaza Strip.[8] Refugee camps, in WBG as well as in Jordan, Lebanon and Syria, are run by the United Nations Relief and Works Agency (UNRWA), which provides basic services to their populations and assistance to very needy families (particularly households that have no able-bodied males).[9] In 1998, poverty incidence among town households in the WBG was 17 per cent compared with 18 per cent in the villages and 33 per cent in the camps, and the incidence of deep poverty showed a slightly different pattern with villages and towns showing similar rates, half those found in the refugee camps (see Table 10.2). Some of the variation in poverty rates according to types of locality between the West Bank and the Gaza Strip can be explained by the fact that in the Gaza Strip only a very small percentage of the population (5.4 per cent in 1997) live in villages, while in the West Bank nearly half (47 per cent) of the population do so. On the other hand, only 6.4 per cent of the population of the West Bank lived in refugee camps compared with 31 per cent in the Gaza Strip. More of the population of the Gaza Strip than of the West Bank lived in urban areas (53 per cent compared with 47 per cent).

In all, in 1998 the poor in the Palestinian areas were distributed as follows: 33 per cent in urban areas, 40 per cent in villages and 27 per cent in camps (PCBS 2000b: Table 4).[10] Israeli settlements in WBG with a population of nearly 400,000 do not feature on the Palestinian poverty map, nor do Palestinian communities outside the WBG.

An explanation of such wide variations in the incidence of poverty is required. This can be found in the opportunities that each region, district and type of locality presents in terms of the capacity and dynamism of the labour market available, wage levels, access to the Israeli labour market, basic services available, and the relation the households have with kin emigrants, particularly to North America and the oil-producing Gulf states. But the existence of wide disparities in poverty levels also reflects the weak state of economic integration of the Palestinian areas for political, economic and historical reasons. Thus, the history of the West Bank and the Gaza Strip is relevant here, particularly since they were severed from the rest of Palestine (following the 1948 war) and came under Jordanian and Egyptian rule and then under Israeli military occupation in 1967. Their 'integration' into the Israeli economy involved their capture as markets for Israeli goods, and as suppliers of cheap labour. Soon after their capture, the WBG became the second-largest market for Israeli goods (after the USA) and the Israeli labour market came to absorb no less than 40 per cent of the labour force of these areas. In other words, the Palestinian economy remained completely dependent on Israeli economic domination with no or very little development in agriculture and industry (Diwan and Shaban 1999; Abed 1988).

The impact of Israeli measures, particularly closures and blockades imposed on Palestinian communities and on the activities of the PA, has been devastating. The dependence of the Palestinian economy on the Israeli labour market and the control by Israel of Palestinian borders and many of the natural resources of the Palestinian occupied areas, and of inner roads (called by-pass roads, linking colonial settlements in the West Bank to Israeli cities), explain the immense and immediate impact of Israeli measures following the Second Intifada. Israeli measures not only seriously crippled the Palestinian economy but they also paralysed the governmental functions and services of the PA, whose offices and institutions came under military attack.

The occupation of the WBG in 1967 undermined the power bases of the traditional landed and commercial capitalists, and erected insurmountable obstacles for further indigenous economic development and the growth of a productive capitalist class. As a colonial power, Israel imposed political, economic and administrative restrictions, including military orders that limited Palestinian economic activity. These included the confiscation of Palestinian land for the building of Israeli colonial settlements and military sites and altering the ethnic composition of the WBG by populating it with Israeli settlers. In 2000, when the Second Intifada erupted, there were 167 settlements in the WBG (150 in the West Bank) with a population of 390,039 Israeli Jewish settlers. To link these settlements to its cities, Israel built sixty-five by-pass roads on Palestinian land, confiscating in the process some 16,250 acres (DSP 2002: 30).

Building and expanding Israeli settlements often involved confiscating good agricultural land with easy access to water and wells. For Palestinians, on the other hand, there was strict rationing of water use, the imposition of restrictions on construction activities, and no investment in infrastructure or basic services. Total control was imposed over financial institutions and the import and export trade. New taxation was imposed on the Palestinians, which, in the fashion of other colonial occupations, was ostensibly to pay for the costs of administration. Such restrictions, seizures and extractions severely limited the chances of any autonomous Palestinian economic development (Aruri 1989; Kimmerling and Migdal 1994). The Israeli occupation – by depriving Palestinian society of a central national authority and outlawing most national organizations and social movements, and by maintaining a disjointed economy (with each of the Palestinian areas directly linked to the Israeli economy) – had helped to keep Palestinian society fragmented (Heiberg and Øvensen 1993).

Profiling the poor

The Palestinian poor are not a homogeneous group. They vary by the type of factors related to their poverty, whether structural or temporary, and whether related to features operating at the level of the community as a whole or features that are specific to the household (often the two are related). These factors include the following:

1 relations of the household to the labour market or opportunities to raise income;
2 household's access to basic services, particularly to health, education, water, electricity, housing and a clean environment;
3 the degree to which household (adult) members participate in kinship group activities, local community activities, political organizations and social movements;
4 the size of the household (and the position of the individual within it);
5 the skills and capabilities that household members possess or have the opportunity to possess.

In short, there is no escaping the fact that poverty is embedded in socio-economic and political structures. These structures range from the local to the societal, the regional and the international. They are structures that produce and maintain noticeable inequalities in wealth (income and property),[11] power relations (inclusion, exclusion, marginalization, isolation), access to services, socio-political and cultural participation, and disparities in life chances.

Internally, as elsewhere, poverty in Palestine is determined to a great extent by class background and gender. But external factors, particularly military occupation and foreign domination, control of natural resources, the misappropriation of land for colonial settlements and for security reasons, and the imposition of collective punishments, have an immense impact on the generation of poverty on a wide scale and within a short span of time.

Large and single-member households are the most vulnerable The highest poverty rate was recorded (before the Second Intifada) for the largest households with ten or more members, followed by single-member households (see Table 10.3). Single-member households consist mainly of older people, which explains their high incidence of poverty. The lowest rate of poverty was for households with two or three persons and four to five persons, both recording less than half the rate of large families. The most deprived households, that is single-member households and households with ten or more members, also had the highest rate of deep or abject poverty. A higher percentage of single-member households was found to be in deep poverty than of large households with ten or more members. Single-member households, however, formed about 6 per cent of the poor compared with large households, which made up just over a third of all the poor, although they constituted only about a fifth of the population (PCBS 2000b: Table 5).

TABLE 10.3 Poverty rates by number of children in household, WBG, 1998 (%)

Household size	Poverty rate	Poverty gap	Deep poverty
1	27.5	9.2	22.5
2–3	15.4	4.8	10.1
4–5	12.9	3.2	7.0
6–7	15.7	3.5	7.8
8–9	22.4	6.5	14.3
10+	32.3	8.8	21.4
Total	20.3	5.5	12.5

Source: PCBS 2000b.

If we exclude childless households (about 15 per cent of all households), then the incidence of poverty increases consistently as the number of children per household increases. Thus, households with the lowest incidence of poverty were those with one to two children, followed by households with three to four children and then by households with five to six children. One in every three households with nine or more children was, in 1998, living below the poverty line, and one in every four was living in deep poverty (ibid.: Table 7).

Unfortunately there are no data available on the actual number of children living in poverty. It is clear, however, from the young age of the Palestinian population (46 per cent are under the age of fifteen), and the high incidence of poverty among families with a large number of children, that those under the age of fifteen form the majority of the poor in Palestine. Given the fact that poverty has come to affect most Palestinian families (within Palestine), one can confidently say that a large majority of children in Palestine are poor.

TABLE 10.4 Poverty rates by gender of head of household, WBG, 1998 (%)

Gender of household head	Poverty			Deep poverty		
	Rate	Distribution of population in poverty	Poverty gap	Resources needed to lift poor households to the poverty line (distribution)	Rate	Distribution of population in deep poverty
Male	19.8	88.5	5.2	87.2	12.1	87.8
Female	25.6	11.5	7.7	12.8	16.8	12.2
Total	20.3	100	5.5	100	12.5	100

Source: PCBS 2000b: Table 8.

Female-headed households have a higher poverty rate Female-headed households constituted about 9 per cent of Palestinian households in 1998, yet they formed about 12 per cent of poor households in that year. In 1998, the incidence of poverty among female-headed households was 26 per cent compared to 20 per cent among male-headed households (see Table 10.4). This is despite the fact that female-headed households are one of the main targets for social assistance from UNRWA, the Palestinian Ministry of Social Affairs, and charitable organizations, including the active *zaka* (alms-giving) committees. Deep poverty was more prevalent among female-headed households than among male-headed households.

Poverty rates varied according to the marital status of the head of household. Some 87 per cent of poor households in 1998 had married heads, 11 per cent had divorcee or widowed heads and 2 per cent had heads who had never married. Before the outbreak of the Second Intifada, the majority of Palestinian households were one-earner households and, in most cases, they depended on the income of the male head. Thus, events such as divorce and widowhood tended to increase the vulnerability of the household affected. Since women tend to live longer than men and are less likely to marry after widowhood or divorce, they form the majority of the divorcee and widowed population. The rates of poverty for households with widowed or divorced heads was higher in 1996, 1997 and 1998 than the national average. In 1998, the incidence of poverty for widowed or divorced households was 26.5 per cent compared with a rate of 20 per cent for married-couple households, a rate that is extremely close to the national average. In 1998, divorcees and the widowed also had a higher rate of deep or abject poverty than households whose heads were married and households whose heads had never married (18 per cent compared with the latter two types of households, at 12 per cent; see ibid.: Table 10).

TABLE 10.5 Poverty rates by age of head of household, WGB, 1998 (%)

Age of head of household	Poverty rate	Poverty gap	Deep poverty
Up to 24	20.7	6.7	17.0
25–34	17.5	4.0	9.1
35–44	18.8	4.9	12.0
45–54	21.1	5.8	12.9
55–64	22.2	6.6	15.1
65+	25.2	7.4	16.1
Total	20.3	5.5	12.5

Source: PCBS 2000b.

The elderly are the most vulnerable In 1998 (as in 1997 and 1996), households whose heads were sixty-five years old or over had the highest rate of poverty. One in every four households whose head was sixty-five years or older was living below the poverty line. These were followed by households with heads aged fifty-five to sixty-four years and those with heads younger than twenty-five (see Table 10.5). This is not surprising as the elderly have a very inadequate formal support system (Hilal et al. 1998), and the informal support system has been reduced in scope and effectiveness (Hilal and Maliki 1997). Households with heads aged twenty-five to thirty-four had the lowest rate of poverty, followed by those aged thirty-five to forty-four years. The same pattern existed for deep poverty. One in every six households with heads aged sixty-five and over was found, before the Second Intifada, to be in deep poverty, a figure similar to that of households with heads younger than twenty-five (Table 10.5). Nevertheless, in terms of size, in 1998 households whose heads were of prime working age constituted nearly half of all poor households (ibid.: Table 9). The elderly, however, are represented most disproportionately among the poor, constituting 18.5 per cent of the poor, whereas they represent only 3.5 per cent of the total population. Lack of old-age security and the exclusion of the elderly from the labour market are important factors generating their poverty.

The least educated form the largest group of the poor Poverty was found to be negatively correlated with education. Higher education is related strongly to lower rates of poverty (see Table 10.6). Thus, in 1998, poverty incidence was highest among households whose heads had less than elementary education, and lowest among households whose heads had finished university education (a quarter of the incidence found among

TABLE 10.6 Poverty rates by educational level of head of household, WBG, 1998 (%)

Educational level of head of household	Poverty rate	Poverty gap	Deep poverty
Less than elementary	27.8	7.7	17.2
Elementary	20.5	5.6	13.0
Preparatory	20.1	5.5	12.9
Secondary	16.2	4.3	10.0
Diploma	7.4	1.6	4.6
Bachelor or more	7.3	1.1	2.6
Total	20.3	5.5	12.5

Source: PCBS 2000b.

households whose heads had less than six years of formal education). This is, of course, expected, as poverty is associated with lack of capabilities, including those that require education. The same pattern appears with deep poverty, with the highest rate found among those with least education (less than elementary), and the lowest among those with university education (see Table 10.6).

Two-thirds (66 per cent) of all the Palestinian poor were, in 1998, members of households whose heads have elementary education or less, compared with a little less than 3 per cent with heads possessing university education.

The unskilled have the highest incidence of poverty The connection between social class and poverty can be illustrated if we relate poverty to occupation. In the years 1996–98 unskilled workers in elementary occupations had the highest rate of poverty among the occupational classifications used by the ILO: 28 per cent of those in such occupations in 1998 were poor, compared with less than 4 per cent in occupations classified as characteristic of the new middle class (i.e., 'legislators, senior officials, managers and professionals'), and compared with a national average of 20 per cent. One in five households whose head was classified as an unskilled worker was in deep poverty compared with the national average of one in eight. Nearly a third (31 per cent) of all poor households had, in 1998, heads classified as having unskilled occupations, another 28.5 per cent were classified as craft and trade workers, and a further 16 per cent were classified as service, shop and market workers. These three categories of occupation (mostly unskilled and semi-skilled occupations) account for three-quarters of all poor households (ibid.: Table 15).

Being in employment (in the ILO definition of employment) is not, in itself, a protection against poverty. Indeed, during the 1996–98 period those who were active in the labour force (in the sense of having employment) constituted three-quarters of all the poor in the Palestinian territories (ibid.: Table 12; PCBS 1998: Table 13). Having said this, it is important to emphasize three points here.

First, participation in the labour force reduces the incidence of poverty significantly. In 1998, the incidence of poverty among households whose heads were participants in the labour force was 19 per cent, compared with 28 per cent for those whose heads were outside the labour force.

Second, employment is more significant than participation in the labour force (which includes employed persons and persons seeking work). Those with regular employment had an incidence of poverty nearly half that of those who worked up to six months of the year in question (1998); i.e. 15

per cent and 29 per cent. The rate for those in employment for seven to eleven months was 22 per cent. Similarly, the incidence of deep poverty increased as the average of working months decreased; the highest rate was recorded for heads of households who worked less than six months in the year, and the lowest (less than half the rate of those who worked less than six months in the year) for those with full-time employment; those with seven to eleven months' employment fell in between (PCBS 2000b: Table 14).

Third, the Palestinian labour force is engaged in a number of distinct labour markets, among them the Israeli labour market. This labour market has been subject to sudden closures for 'security'-related reasons. It also employs mostly unskilled and semi-skilled labour, but at higher wages than those available in the labour markets of the WBG. With the eruption of the Second Intifada, this labour market was severely restricted at the expense of Palestinian labour. Before the Second Intifada, nearly a quarter of the labour force was employed in Israel or Israeli colonial settlements. Then there is the Palestinian labour market, which remained limited in its capacity to generate employment for a rapidly growing labour force. Here, too, the market was far from homogeneous. The government sector employed, by 2000, nearly a fifth of the active labour force in civil jobs (education, health and various ministries and authorities) and in police and security jobs (mostly with low salaries). Public sector employment offered higher job security than the private sector. The formal private sector (banking, insurance, communications, export/import trade, hotels, newly established large companies, manufacturing enterprises, etc.) and the informal private sector (mostly small family-type enterprises, employing fewer than five people) employed half the active labour force. Very small establishments (employing fewer than five persons) formed around 90 per cent of all establishments in the Palestinian territories, and employed a high percentage of the labour force in the private sector. The wages and job security varied between the formal and informal sectors. The private sector in the WBG employed almost half the labour force. There was also the small NGOs sector, which offered limited employment with relatively high salaries and with some job security. But the Palestinian labour market is not an integrated market. It is divided into three separate geographic and administrative parts and (i.e. the Gaza Strip, the Jerusalem area, and the remainder of the West Bank) access from one to the others is controlled by Israel.

Only a small percentage of the Palestinian labour force in the WBG works in agriculture (ranging between 12 and 15 per cent during the period 1995–2002) and manufacturing (ranging between 13 and 18 per cent during the same period).[12] This feature is strongly related to the forced dependent integration of the weak Palestinian economy into the much stronger and larger Israeli economy. Another feature is the dependence of the Palestinian labour force on the Israeli labour market.

The disparity in wages between the two economies meant that work in Israel reduced the likelihood of poverty. In 1997, some 16 per cent of households whose heads' source of income originated in employment in Israel were poor, compared with 19 per cent for those whose wages or salaries came from the Palestinian public sector, 27 per cent for those whose wages or salaries came from the Palestinian private sector, and 56 per cent for households that depended on public or private transfers (social assistance from relatives or public and private institutions). The last category is made up of mostly poor households (PCBS 1998: Table 16).

Apart from the public sector (i.e. the government and UNRWA), all other sectors were severely affected in terms of employment and wages following the eruption of the Second Intifada.

Israeli measures following the Second Intifada triple Palestinian poverty rates According to a World Bank report (2003) all Palestinian economic indicators continued to decline dramatically through the second year of the Intifada. Gross national income per capita in 2002 fell to nearly half of what it was before the Intifada erupted at the end of September 2000. More than 50 per cent of the workforce had become unemployed by the end of 2002. Physical damage resulting from Israeli military action amounted to US$728 million by the end of August 2002. Between June 2000 and June 2002, Palestinian exports declined by almost one-half, and imports by a third. Investment shrank from an estimated US$1.5 billion in 1999 to a mere US$140 million in 2002. Overall national income losses in just over two years reached US$5.4 billion – the equivalent of one full year of national income prior to the Second Intifada. The financial situation of the PA was characterized by the World Bank report as precarious. Rising unemployment, reduced demand and Israel's withholding of taxes collected on the PA's behalf caused the PA's monthly revenues to drop from US$91 million in late 2000 to US$19 million in 2003. Donor budget support to the PA (three-quarters of which came from Arab countries), totalling US$1.1 billion over the last two years, has prevented its collapse.

With the rise in unemployment and the decline in incomes, over half a million Palestinians in Palestinian territory (which before the Intifada was considered a middle-income economy) are now fully or mostly dependent on food aid. Per capita food consumption declined by 30 per cent between 2001 and 2003, and the incidence of severe malnutrition reported in some areas of WBG is at the levels found in some of the poorer sub-Saharan countries.

The World Bank report identifies three factors to explain why the battered economy did not collapse completely. The cohesion and resilience of Palestinian society are considered to be the main ones.[13] Here, a number of strategies were used by Palestinian families, which I will discuss shortly. The second critical factor was the continued delivery of basic services by the PA (together with UNRWA and *zaka* committees), particularly education and health, as well as the delivery of social assistance to the very needy. Continued donor support is the final factor. Budget support enabled the PA to continue employing what has come to constitute one-third of those still working and to pay half of all wages earned in the WBG. In 2002, donor disbursements reached just over US$1 billion.

The report estimates, using PCBS data, that the incidence of poverty among Palestinians in WBG (excluding East Jerusalem) rose from 20 per cent in 1999 to 31 per cent in 2000 (the year the Intifada began), 46 per cent in 2001, and 60.0 per cent in 2002.

Confronting impoverishment

A participatory poverty assessment report – based on interviews, case studies and focus groups – in the sixteen governorates of the WBG, which covered each governorate and urban, village and camp community, as well as the different categories of the poor, during the summer and winter of 2001/02 gives a detailed account of the various ways in which the poor faced their poverty (MOPIC and UNDP 2002).

Factors that the different categories of the poor offered in explanation of their poverty can be grouped under the following headings.

Factors related to features of accessible labour markets These are factors such as unemployment, low wages, dependency on the Israeli labour market – which is highly unpredictable (at the time of the interviews it was closed to Palestinian labour) – and lack of job security. In other words, class situation, as indicated by income, source of income, job security and work conditions, was a major determinant of poverty or a protection against poverty. Those with little job security (such as manual workers commuting to Israel who were paid daily wages and had no job security whatsoever) were very vulnerable to sudden poverty. Those with job security (employed by UNRWA, the PA and international organizations) were the least vulnerable to poverty, particularly those in the higher income brackets (new middle- and upper-middle-class jobs such as professionals, directors, legislators, technocrats, bureaucrats, teachers, etc.). As we explained above, households headed by women are more vulnerable to poverty than those headed by men. Employment in the informal sector, where there is no job security or any kind of work contract, involved vulnerability to poverty.

Communities that are peripheral (in terms of distance from towns and centres of employment), and which lacked basic services, emphasized their marginality as a main factor in the prevalence of poverty among their households. Israeli policies were often cited here, as they directly affected Palestinians' access to work in Israel, and after the Intifada their relation to local markets, which led to the contraction of local labour markets.[14] In some areas the Israeli army bulldozed trees, farmland and the houses of militants, in addition to capturing and detaining, particularly after March 2002 (when the Israeli army invaded areas under PA control), thousands of suspected militants, thus depriving many households of their main breadwinner. Gaza families cited restrictions by Israel on fishing offshore from the Gaza Strip as a reason for their falling into poverty. Villagers mentioned the effects of working in Israel, colonial settlements and land confiscation as reasons for the decline in agriculture.

Features related to dispossession and forced immigration This factor was mentioned most frequently by Palestinian refugees living in camps as the dormant and active cause of their poverty. It was also mentioned by Palestinian returnees from Kuwait after the 1991 Gulf War. Poverty or deprivation here were seen as a function of their refugee status resulting from the *Nekba* (the expulsion of Palestinians from their homeland in 1948) and as a result of the Gulf War in 1991, when most of the Palestinian community in Kuwait were forced to leave, losing the source of their livelihood, savings and property.

Access to basic services and infrastructure This was mentioned frequently in relatively isolated villages and poor communities lacking electricity, asphalted roads, piped water, a public sewerage system, schools and clinics. Access to services, other than health facilities, was found to be correlated to poverty (see Table 10.7). The fact that basic health facilities were not correlated with poverty is due to the nearness of most villages to towns, the work of health NGOs in rural areas, and the availability of clinics (provided by UNRWA) in all refugee camps.

Factors mentioned as poverty-related because of their incapacitating effect on the household Among these, illness, particularly the chronic illness of the breadwinner, was prominent, together with disability (physical and mental). But lack of formal education or a low level of education were

TABLE 10.7 Poverty rates by access to basic services, WBG, 1998 (%)

Basic services		Poverty			Deep poverty		
		Rate	Distribution of population in poverty	Poverty gap	Resources needed to lift poor households to the poverty line (distribution)	Rate	Distribution of population in deep poverty
Public sewerage	Access	18.2	34.0	4.9	34.2	11.1	33.7
	No access	21.6	66.0	5.8	65.8	13.4	66.3
	Total	20.3	100	5.5	100	12.5	100
Piped water	Access	19.7	83.0	5.3	82.5	12.0	81.7
	No access	23.7	17.0	6.6	17.5	15.8	18.3
	Total	20.3	100	5.5	100	12.5	100
Transportation	Access	20.0	89.8	5.4	89.8	12.5	90.9
	No access	23.3	10.2	6.3	10.2	12.9	9.1
	Total	20.3	100	5.5	100	12.5	100
Health clinic	Access	22.1	72.0	6.2	75.1	14.3	75.5
	No access	16.8	28.0	4.0	24.9	9.1	24.5
	Total	20.3	100	5.5	100	12.5	100
Private clinic	Access	20.8	70.5	5.8	72.4	13.4	73.2
	No access	19.1	29.5	4.8	27.6	10.7	26.8
	Total	20.3	100	5.5	100	12.5	100
Hospital	Access	20.1	16.1	5.7	17.0	13.8	17.8
	No access	20.3	83.9	5.4	83.0	12.3	82.2
	Total	20.3	100	5.5	100	12.5	100
School	Access	16.8	70.6	4.2	66.0	13.1	84.8
	No access	40.9	29.4	12.7	34.0	10.2	15.2
	Total	20.3	100	5.5	100	12.5	100

Source: PCBS 2000b: Table 20.

acknowledged as a factor in poverty generation. Women mentioned the restricting role of tradition on their ability to seek work outside their homes. Having a large family and early marriage were frequently cited, mostly by women, as factors associated with poverty and its continuance. Old age, lack of landed property and addiction to drugs and alcoholism (mostly in the Jerusalem area) were given as factors responsible for the inability to earn a sufficient income and for lapsing into poverty.

Factors related to nepotism and patronage Many of the unemployed young people, particularly university students and especially in the Gaza Strip, linked poverty to their lack of access to connections in the political and economic system. *Wasta* (mediations) and *muḥsubia* (patronage) lay behind their inability to obtain jobs and their remaining unemployed and vulnerable. There is a widely held belief (reflected in public opinion polls) that *wasta* and *muḥsubia* are widespread and work against the poor, who do not have the connections (*wasta*) or resources (*muḥsubia)* needed to activate such mechanisms. The very poor do not have the material resources, educational qualifications or kinship connections to use as assets to escape poverty. In this sense, the poorest of the poor (those experiencing abject or deep poverty) remain poor as they cannot, even with the help of governmental and civil society intervention, escape poverty.

The strategies that the heads of poor households indicated that they use to deal with their difficult situation reveal a continuous and varied striving to change or alleviate their deprivation and hardship. They also reveal a prominent role for women in managing strategies against poverty. The most common strategies mentioned can be grouped under the following headings (MOPIC and UNDP 2002: 67–73).

Cultivating new sources of income and widening the labour market as much as possible These measures included the following.

First, starting very small projects in the informal sector (such as selling sweets, fruit or cheap food at crossroads, pavements and by school gates), investing small amounts of capital (penny capitalism) or borrowing from credit organizations.

Second, involving new members of the household, such as women and children, in the labour market, and/or the unemployed seeking new employment in a type of work other than that done previously – i.e. an expansion of those seeking work as well as an extension of the activities sought in the labour market. An important corollary of the entry of new groups into poverty has been the readiness of new strata of women to seek work outside the home. With this has evolved a more positive attitude to women's paid employment.

Third, miscellaneous measures including emigration, in the hope of finding employment, with a readiness to stay elsewhere on a permanent basis. Such measures included those in work seeking additional work in an attempt to compensate for the decline of household income as a result of other members becoming unemployed.

Rationalization of expenditure and a reallocation of resources Households whose members have lost their jobs and which experience a decline in income (as many have done since September 2000) have responded by restructuring their spending so that priority is given to basic needs, which the poor in Palestine define as food, housing requirements, clothing, education and health. Cuts are made to expenditure on these basic needs, including health and education, as income is reduced. Poor families tell of resorting to herbs when they cannot afford to buy medicine from the pharmacy and to resorting to traditional healing when they cannot afford doctors' fees. Those with children may stop sending some of their children to school, and find work or apprenticeships for them to reduce expenditure. Some admitted to agreeing to marry off their daughters very young as a measure to reduce household expenditure. Some households resort to baking bread at home, and others still to having members of the family cut their hair to save money. Those with gardens grow vegetables for household consumption, raise poultry and rabbits, and start buying second-hand clothes for their children and other members of the family. Other measures adopted include reducing the number of visits to relatives in order to cut the expenses incurred through travel and gift-giving, particularly on social and religious occasions. This explains why prolonged poverty could entail gradual social isolation. The use of wood for cooking and heating is mentioned as a measure for reducing expenditure, as well as giving up or cutting down on smoking.

Those with savings will use these to compensate for loss of income, and those with valuables (such as jewellery – usually women) will begin to sell these to cover spending on their family.

Seeking assistance from relatives and/or institutions that provide social support Poor households have reported seeking both formal (government and non-government aid institutions) and informal (relatives and individual benefactors) support networks. Poor households with children at school and university sought assistance from the various existing formal support institutions. These have played a noticeable role in keeping students at university and children in school by paying for fees and other expenses.

Poor households acknowledged that they had to borrow from relatives, friends and shop owners in their neighbourhood. Such activities relied on tacit understandings with regard to repayment but often resulted in tension in cases where repayment was delayed or did not take place (particularly with shopkeepers). Neighbourly relations involved all kinds of support, particularly the borrowing of basic necessities such as rice, flour, sugar, etc., and money to cover electricity and water bills.

Other strategies used These included joining political parties in the hope of receiving assistance and patronage of one kind or another and attending courses sponsored by some NGOs, which provide in-kind assistance for those who attend. A popular device in recent years has been the establishment of joint savings cooperatives. These are set up between individuals (in most cases women) in the same neighbourhood or from the same kinship group – participants pay a regular monthly amount of money and the total is given (in rotation) to one participant each month, providing him/her with a lump sum sufficient to meet a certain need.

Concluding remarks

Qualitative data on the poor reveal their persistent struggle to change their situation or make it more tolerable to and overcome the various obstacles they face. They also reveal the need for those concerned with poverty to take into account the diversity of situations and capabilities of the poor, and consequently their strategies in articulating their plans to eradicate or alleviate poverty.

In Palestinian areas, any plans to eradicate or seriously alleviate poverty remain largely illusive if they do not tackle the severe vulnerability to which Palestinians remain subject under the Israeli colonial military occupation – an occupation that has entailed confiscation of land, appropriation of resources, siege, closure, restrictions on the movement of people and commodities, the detention of thousands of men and women, house demolition, uprooting of tens of thousands of trees, and so forth. The continued expansion of colonial settlements, building of the so-called 'separation wall' and by-pass roads, all of which involves the pillaging of Palestinian agricultural land and water resources, and the fragmentation of Palestinian society through military checkpoints and blockades, institute what Palestinians consider an apartheid system. In short, without genuine self-determination, and freedom from colonial occupation and repression, no serious fight against poverty can be established.

The above in no way absolves the Palestinian Authority of responsibility for instituting a system of social security that addresses the needs of the poor and vulnerable groups in society. The responsibility of international aid agencies is to help in financing such a system as part of redressing the historic injustice that has been inflicted upon the Palestinian people. But a real tackling of the issue of poverty in Palestine requires the establishment of an independent and viable state for the Palestinians as a prerequisite for initiating a programme of sustainable human development. This is a task that requires Israel to withdraw from the areas it occupied in 1967, and to find a just solution to the refugee issues created by the establishment of the Israeli state on Palestinian land. It also requires the United Nations and its Security Council to implement the resolutions concerning the Israeli–Palestinian conflict. In short, the issue of eradicating poverty in Palestine is first and foremost a political one.

Notes

1 In 1999, assistance from various sources amounted to 15.2 per cent of GNP. According to World Bank figures, the GNP of the Palestinian areas amounted in 1999 to US$4.6 billion (Hilal et al. 2003: Table 5). In 1999 (the year before the start of the current Intifada) the PA allocated 34.3 per cent of its total expenditure (which amounted to US$926.9 million) to social expenditure, 18.9 per cent to education, and 9.9 per cent to health (ibid.: Table 11).

2 In 1997, the relative poverty line and the deep poverty line for a family of six were, respectively, NIS (New Israeli Shekels) 1,390 and NIS 1,140 per month. For a family of two adults and seven children it was NIS 1,962 and NIS 1,610; and for an individual living alone it was NIS 418 and NIS 343. The rate of exchange of US$1 was (in 1997) around NIS 3.4 (NPEC 1998: 33). The Israeli currency has been the dominant currency in the Palestinian WBG areas since they were taken over by the Israeli army in June 1967. The Palestinian Authority has not issued its own currency, although this option has been under discussion.

3 Figures and percentages for 1998 are taken from PCBS (2000b).

4 Deep poverty averaged, in 1996 and 1997, 14 per cent, and 12.5 per cent in 1998.

5 The average daily wage increased from NIS 54.3 in 1996 to NIS 68.5 in 1998 (PCBS 2000b: 10).

6 Taken from the Palestinian Central Bureau of Statistics website: <www.pcbs.org/inside/selecs.htm>.

7 See note 1.

8 According to UNRWA figures, the registered refugee population living in nineteen refugee camps in the West Bank was 163,139 at the end of June 2001, compared to 460,031 in the eight refugee camps in the Gaza Strip. That is, a total of 623,180 individuals, or approximately a fifth of the total population of the WBG (figures quoted by Japir 2003: 105–23).

9 For an interesting discussion of the mechanisms that reproduce poverty in the camps from the point of view of the camp as a temporary location, see Johnson and O'Brien (2000).

10 Those living in abject poverty were distributed as follows: 34.5 per cent in urban areas, 38.1 per cent in villages and 27.4 per cent in camps. This means that the largest number of households in abject poverty is found in villages (PCBS 2000b: Table 4).

11 Data for 1998 and the previous two years show that access to land does reduce the likelihood of poverty. About 16 per cent of households with access to land were, in 1998, poor, compared with 22 per cent of those without such access. Moreover, poor households lacking access to land are worse off than poor households having access to land (PCBS 2000b: 22).

12 Figures from PCBS surveys on labour force features, <www.pcbs.org/inside/selecs.htm>.

13 For a detailed report on the impact of Israeli restrictions and other measures on selected Palestinian communities, see Sletten and Pederson (2003).

14 According to a UNSCO report, the lowering of demand for goods and services following the closure of the Israeli labour market to Palestinian labour, as well as the restrictions on internal movement between Palestinian areas, caused a contraction of domestic employment by 20 per cent in the second quarter of 2002 (UNSCO 2002: 8).

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11 | Social stratification obstacles to reducing inequality and alleviating poverty: the case of Lebanon

SYLVIA HALADJIAN-HENRIKSEN

From a sociological point of view, inequality and poverty are paradoxically considered to be 'normal', in the sense that social stratification is an integral part of not only the structure of society, but also its functions. In traditional societies, this is even emphasized by the rigidity of their structure, on the one hand, and by the lack of public interventions[1] on the other. Moreover, the rigidity referred to often weakens any intervention, which leads to a vicious circle that is hard to break. Thus, any attempts to reduce inequality and alleviate poverty have to face, among other things, strong obstacles generated by social stratification.

The Lebanese case, however, constitutes more than a simple example of this situation, as the civil war from 1975 to 1990 and its consequences should not be neglected[2] in such an analysis.

The first section of this chapter presents a brief overview of the major socio-economic developments in Lebanon during the last decade, together with an attempt to situate poverty within the context of the civil war that occurred in the country. In light of such unfavourable developments, some views on poverty and poverty alleviation arise which, however, prove to be insufficient to fully explain the situation in Lebanon; these issues will be presented in the second section. The third section analyses this problematic situation in terms of specific social obstacles to fighting poverty.

Socio-economic developments and poverty in the last decade

When talking about socio-economic developments in Lebanon in the last decade, one should first mention the deterioration of the national currency's exchange rate (which had already begun in the 1980s). As an indication, in 1990 the exchange rate of the Lebanese pound against the American dollar was approximately LBP 750 to US$1, whereas the current exchange rate is around LBP 1,500.

As for poverty as such, it goes without saying that the deterioration of the Lebanese currency has largely contributed to creating an environment that produces poverty. 'It is often heard that there is no poverty in Lebanon. Absent are the homeless who seem to populate the streets of the United

States, South America, and Western Europe in ever increasing numbers. Absent are those who sift through trash cans in the middle of the day for their next meal. Even the beggars who haunt Beirut street intersections are not Lebanese most of the time. This view is surprisingly widespread, and simplistic' (Lebanese Centre for Policy Studies 1996).

In fact, despite all appearances, the estimate of the population in poverty stands at 1 million (ibid.) out of an 'estimated' population[3] of 3.5 to 4 million.

It is indeed very difficult to introduce the phenomenon of poverty in Lebanon and specifically determine its nature and extent, given the unavailability and/or inaccessibility of relevant data in this field (Hamdan 2002). The first serious attempt to measure and study aspects of social deprivation in Lebanon was conducted in 1997/98 by the Lebanese Ministry of Social Affairs and the United Nations Development Programme (UNDP), resulting in a report entitled 'Mapping of Living Conditions in Lebanon'. Even though this report was not meant to study poverty as such, local and international experts consider it to be significant in highlighting the issue of poverty and, mainly, social deprivation.

Living conditions were measured using the 'Unsatisfied Basic Needs' (UBN) methodology to classify Lebanese households and individuals according to the level of satisfaction of their basic needs. In fact, the use of other approaches was, once again, largely hindered by the lack of data, especially data related to household income and expenditure.

According to the 'Living Conditions Index' (Lebanese Ministry of Social Affairs and United Nations Development Programme 1998), 32.1 per cent of households in Lebanon (35.2 per cent of individuals) live below the satisfaction threshold, divided between 7.1 per cent of households (6.8 per cent of individuals) having a 'very low' degree of satisfaction and 25 per cent of households (28.4 per cent of individuals) having a 'low' degree of satisfaction. Those with an 'intermediate' degree of satisfaction constitute the largest percentage: 41.6 per cent of households (42.2 per cent of individuals). With regard to the proportion of the population that has a 'high' degree of satisfaction, this represents 26.3 per cent of total households (22.6 per cent of the population). Nevertheless, these figures must be treated carefully, as the categories of satisfaction (low, intermediate and high) do not necessarily correspond to the more specific classes of individuals conceptually known, and scientifically defined, as 'poor', 'middle class' and 'rich'.

Perhaps it is more interesting to consider the indicators that led to the figures quoted above. In this respect, four groups of indicators were used in the 'Mapping of Living Conditions in Lebanon': housing and related indicators, water and sewerage indicators, education and related indicators, and income-related indicators. The detailed results show that, when it comes to housing and water, a large percentage of households have their basic needs satisfied to a certain acceptable extent, whereas social deprivation is more a question of low satisfaction in terms of education and income (ibid.).

A more recent source, which provides an overview of poverty in Lebanon (although indirectly), is the 'National Action Programme to Combat Desertification' conducted by the Lebanese Ministry of Agriculture in 2003. Table 11.1 gives an indication of the deterioration of the purchasing power of Lebanese households over twenty-five years from just before the civil war, in the period just after the war ceased, and up to 1999, almost a decade after the war's end.

TABLE 11.1 Trends in income inequality – percentage of households according to income quintiles, 1974–99

	1974	1992	1999
High-income households	19.5	10.3	8.8
Middle-income households	60.1	40.2	29.3
Low-income households	20.4	54.6	61.9

Source: Lebanese Ministry of Agriculture 2003.

Despite the chronic lack of precise data on household/individual incomes, there is no doubt that today the Lebanese population is characterized by severe income inequalities, which certainly explains why a large proportion of individuals are poor and socially deprived. In this respect, what needs to be highlighted is that in addition to (or, rather, instead of) personal causes of income inequalities (such as educational and technical qualifications, etc.), there are many other factors that increase the gap between rich and poor.

In the Lebanese labour market, the logic of meritocracy is far from being applied. In other words, we may say that often a worker's income does not match his or her productivity (in one sense or another). In fact, both the spectacular deterioration of the national currency's exchange rate and hyper-inflation from 1984 to 1993 have largely contributed to enriching the rich and impoverishing the poor (Maroun 2000), also making the 'Lebanese middle class', a group that was known to be one of the major characteristics of the Lebanese social structure before 1975 (Hamdan 1994), increasingly vulnerable. The civil war in Lebanon has substantially weakened social movements in general and syndicalism in particular, which has impeded any serious adjustment of purchasing power. Moreover, disparities between economic sectors,[4] on the one hand, and different Lebanese regions,[5] on the other, have made the whole situation increasingly difficult (Haladjian 2001).

With regard to unemployment, it is estimated (almost unanimously by the scientific community) to be much higher than the official rate of 8.6 per cent (Central Administration for Statistics 1998). Since there are no unemployment indemnities, this can be considered to be one further factor of social deprivation, as stated by the UNDP report:

> A close connection can also be discerned between unemployment and poverty. The size of the labor force grew rapidly, from about 900,000 in 1987 to 1.1 million in 1995, and will continue to grow at high rates as a result of the slowing down of, and return from, emigration and the rise in the number of persons seeking jobs, 35,000–40,000 a year. Wage earners constitute about two-thirds of the labor force. The labor market is open, without any effective regulation, to foreign labor, especially in the sectors of agriculture, construction, hotel services and marginal activities (peddlers, small commerce, household services, etc.). Changes in the structure of the labor market and the spread of poverty have tended to move together: the volume of marginal activities, prevalence of disguised unemployment, and the high rate of job-turnover relative to stable employment and accumulation of experience, all increasing with poverty. These factors compound the pressures on the labor market and raise rates of overt and disguised unemployment and partial employment – phenomena that are associated with poverty. (UNDP 1997, ch. 3: 6)

This leads us to mention that social security in general is close to absent in Lebanon,[6] as there are many social risks that are not covered (for example, unemployment and old age). Similarly, self-employed workers are not covered by any public social insurance scheme. Furthermore, the coverage of social service programmes is very limited and the level of benefits is so low that medical care and hospitalization are almost impossible in many cases without additional (very expensive) private insurance.

In principle, the public social service system includes the National Fund for Social Security, the Public Sector Employees' Cooperative and the Army and Internal Security Forces' Cooperative. Practically, these institutions provide very few services, in a very limited way, to only 50 per cent of the population, concentrated mainly in Beirut and Mount Lebanon (Ne'meh 1996).

Of course, all this is aggravated by the direct consequences of the civil war (such as the displacement of the population, etc.),[7] often considered to be one of the main causes of poverty and social deprivation in Lebanon. The UNDP report gives a succinct summary of the effects of the civil war:

> The years of war inflicted heavy losses, at various human, social, and economic levels, in the immediate as well as in the medium and long term, some of which are irreplaceable. The following are the major losses incurred:
>
> - The large number, estimated at 65,000, of citizens killed, in addition to thousands of cases of permanent disability.
> - The large number of Lebanese who emigrated, which constitutes a human drain affecting negatively the sustainable development potential. These included scientists and university graduates, skilled labor, young people and entire families which settled abroad.
> - Deterioration in the standard of the labor force at all levels, causing Lebanon to fall behind in scientific development, technological innovation and progress in management techniques that were taking place at the global and regional levels.
> - Material losses estimated at around US$25 billion. (UNDP 1997, ch. 2: 4)

Nevertheless, during the post-war period the real growth in Gross Domestic Product (GDP) was 38.3 per cent in 1991, 4.5 per cent in 1992, 7.0 per cent in 1993, 8.0 per cent in 1994, and 6.5 per cent in 1995 (ibid.). For the years 2002 and 2003, GDP growth was 2.2 per cent and 2.7 per cent respectively (World Bank 2004).

Views on poverty and poverty alleviation

As has been observed by Haddad, the Lebanese government has not formulated public policies that target poverty:

> Post-war governments have not had clearly-defined social policies to combat poverty. Rather, they have considered that Lebanon's social problems would be solved indirectly through implementation of the economic measures pursued in the national reconstruction programme. These have centered around currency stabilization and the reconstruction of physical infrastructure. State policy has concentrated on economic rather than social questions, and the government has sought to reduce the effects of poverty and limit its spread rather than neutralize its causes. Indeed, the government has appeared to regard poverty as something inevitable whose negative aspects should merely be brought under control. (Haddad 1996)

Therefore, in the absence of genuine national public policies, the UNDP can be considered the most active source of interventions for poverty alleviation in Lebanon. These poverty alleviation interventions, through regional development and civil society empowerment, actually focus on some of the most deprived Lebanese regions. The main goal of these interventions is to promote balanced regional development, which is supposed to lead to poverty alleviation by reshaping class structure. In order to ensure the achievement of this goal, local participatory development also has to be promoted by strengthening local structures (municipalities and civil society). Thus, the improvement of the socio-economic situation of the disadvantaged categories of the population is expected to result from these projects.

Furthermore, the UNDP is also working on capacity-building at the Lebanese Ministry of Social Affairs,[8] in order to enable this ministry to formulate and implement social policies for the whole country.

Another important source of intervention for poverty alleviation in Lebanon is the European Union (EU). Without intervening directly in poverty alleviation, the EU (through the European Commission) still retains this issue as one of the main priorities within the framework of the Euro-Mediterranean partnership in general, and the 'Association Agreement' with Lebanon[9] in particular. In this regard, the EU will contribute mainly to improving the agricultural sector, in order to combat income inequalities not only between different economic sectors, but also between regions and (to a certain extent) between genders.

In fact, despite the lack of official information, it can be safely stated that there are considerable variations in the spread of poverty between sectors and regions. Poverty is mostly concentrated within agricultural families and families whose main provider is employed in the public sector. Many of the poor live in the suburbs of the capital Beirut and other cities. Extreme poverty, however, is found mainly in rural areas and some remote regions, as observed by the UNDP:

> The areas where the poor live, especially in cities, are overcrowded and suffer from the effects of random urbanization, scarcity of green space, the accumulation of garbage near houses, and lack of sewerage systems or their intermixing with water distribution networks. Furthermore, some of the houses where the poor live are lacking in maintenance and badly deteriorated, even often partially damaged due to neglect or as a result of the war. Living space per person is on average less than ten square meters, which is considerably below the internationally accepted norm of fourteen square meters, considered necessary for a person's health and physical and psychological equilibrium. (UNDP 1997, ch. 3: 4)

Social obstacles to fighting poverty

Traditional societies in developing countries suffer from a lack of social capital. More precisely, mutual trust and institutional trust have largely proved to be deficient (Putnam 1993). This constitutes a serious obstacle to inequality reduction and poverty alleviation, since collective work (to be undertaken by both civil society and decision-makers) is indeed one of the most important conditions that bolster socio-economic development.

From this perspective, building social capital, which leads to effective and conscious democratic practices, should be the first step in any social policy (Woolcock and Narayan 2000), mainly as a means of activating the accumulation of social capital, and thus enabling civil society to take part in setting local and national priorities (Bartoli 1999).

In fact, civil society in developing countries is characterized by the predominance of community-based traditional associations (Haladjian 2001), taking into consideration the conditions of their constitution, their real objectives and their target population. This mainly leads to the fragmentation of civil society, which considerably restricts all levels of interaction: interaction between associations, as well as interaction with national, and particularly local, authorities (ibid.). Thus, policy-making and priority-setting seem to be either totally absent or respond to partisan influences not based on democratic processes.

Therefore, national policy-makers and international organizations should focus their efforts, as a priority, on strengthening the civic socialization agents by creating the necessary awareness inside social institutions (mainly family and schools) and local associations (religious, professional, political, etc.), on the one hand, and the media, on the other, with a view not only to enhancing the socialization capacities of their members and audiences, but also to contributing to deep social change through developing the population's civic sense and creating a real consciousness of citizenship values among future generations.

As social change seems to be a must in economic development (Forsé 1998), sociological concepts and theories could help us understand the cultural structure of developing countries, which can then provide development experts (theoreticians and practitioners) with suitable research-based tools for identifying the main social obstacles faced within policy-making in activating reforms.

The obstacles that impede generalized reciprocity, in terms of cooperation and coordination for mutual and collective benefit at the national level, find their basis in many factors characterizing traditional societies.

First, individuals have a strong feeling of belonging to primary groups (such as the extended family), where solidarity is based on similarity and emotions, more than to secondary groups, where solidarity derives from complementary actions in pursuing common goals. Likewise, this intra-group 'cohesion' creates inter-group tensions, which can also be designated 'horizontal inequalities' (Stewart 2001). Consequently, in one's social representations the 'image of the other' is assimilated into a framework of conflicting differences, which certainly weakens the capacity for both trust and trustworthiness.

Furthermore, since modern aspects of social organization are actually 'added' to (and not integrated into) traditional societies, contradictory practices of social control seem to be unavoidable, in the sense that the respective cultural structures of isolated groups make them appear to be many deviant subcultures within the whole institutional structure of the society, which is practically just 'copied' from 'real' modern social models (in the absence of any comparative perspective from a common viewpoint).

Consequently, this represents quite a superficial social change which often creates 'anomie'. A paradoxical 'democracy', conducted by a 'deviant majority', will thus take root: on the economic level, underground activities will prevail; on the political level, corruption will proliferate; on the social level, social positions without clearly defined social roles will be coveted. Of course, an absence of civic engagement networks and a lack of horizontal and vertical (ascending and descending) trust will aggravate the whole process of social disorganization.

In this respect, the Lebanese social structure represents a typical example of how traditional social stratification nourishes all aspects of inequality and makes poverty generate poverty. Despite some efforts to secularize society, Lebanon is still fragmented across sectarian cleavages, where family–religious–tribal ties[10] appear to be stronger. Thus, 'many Lebanese citizens identify themselves more with their sect than with the country as a whole' (El Khoury and Panizza 2001).

Therefore, the Lebanese population can be seen as a certain number of isolated small 'communities', rather than a total 'society'. Each community is based on the predominance of personal and affective links. This strengthens the feeling of a common life and a common destiny and increases mutual dependence within the community. As a consequence, the same feeling and dependence within society (in terms of solidarity between the communities) is increasingly weakened.

The so-called '*wasta*' system, which is a kind of nepotism, can be found at all levels of life in Lebanon (political, professional, educational, etc.), and appears as the main social obstacle to fighting poverty. When this practice operates in the simplest aspects of organizing everyday life, social fragmentation is not only maintained but also reproduced. Thus, inequality is aggravated and socio-economic development is 'postponed'. Moreover, the '*wasta*' system contributes largely to stratifying Lebanese society, in the sense that it can practically be considered to be the first and strongest criterion in creating social classes and in activating social mobility. In fact, as *wasta* seems always to be behind social and political power, job opportunities, high incomes, educational success, etc. (and even sometimes access to healthcare), social classes are more or less constituted around this concept. Thus, individuals, and mainly families, who have very strong *wasta* (very strong connections with powerful people) have greater opportunities to be part of the upper classes. At the opposite extreme, those with no *wasta* at all will in all probability find themselves in the lower classes and be identified as 'the poor'. Consequently, social mobility can be considered to be strongly connected to *wasta* gain or loss. In particular, 'losing *wasta*' would simply mean 'impoverishment'.

Although the phenomenon is presented very schematically, '*wasta* inequality' does describe a certain social reality, which has been increasingly integrated into Lebanese social organization (or rather 'disorganization') within a general, anarchistic context created during the civil war. Even the few post-war 'national' policies/interventions to combat inequality appear to be based on the *wasta* system. Paradoxically, the '*wasta*-related beliefs and practices' are among the very few common points uniting the different Lebanese communities. In other words, the *wasta* system is definitively integrated into Lebanese culture as a whole; it constitutes a social reality upon which everybody might agree, regardless of the substantial differences between the constitutive subcultures.

Conclusion

As a matter of fact, this specific kind of 'artificial social stratification' not only hinders socio-economic development and weakens all attempts to fight poverty, but it also produces 'new poverty' by giving rise to the so-called 'nouveaux riches'. In the absence of a fair redistribution of income through social security (and/or taxes), current Lebanese political and social practices contribute to rising inequality in a vicious circle, since they directly or indirectly impoverish the lower-income classes and enrich the higher-income classes of society.

The obstacles mentioned above are all related to collective attitudes that have deep roots within the different Lebanese communities. In such a context, the rational path to social change – which is needed for good governance, the effective management of (natural, human and financial) resources, policy-making, socio-economic development and, last but not least, inequality reduction and poverty alleviation – principally involves a question of changing attitudes. And this is again a matter of socialization. But criticizing presumably self-evident social beliefs and practices has proved to be extremely difficult, particularly when it comes to the resistant structures of traditional societies.

Nevertheless, today this seems to be a necessary condition of any socio-economic development project in developing countries; openness to ideas should have priority over any other (political or economic) level of openness (Cameron 2000).

Notes

1 The lack of public interventions can mainly be explained by the fact that traditional societies are often those of underdeveloped countries (euphemistically referred to as 'developing countries').

2 Civil war itself can even be considered somehow as being the direct expression of social rigidity.

3 The last population census in Lebanon dates back to 1932!

4 Paradoxically for a developing country, it is the service sector which is the most improved in Lebanon.

5 Attention is almost exclusively focused on Beirut (the capital city of Lebanon), now – given post-war reconstruction – more than ever. 'The actual configuration of regional development in Lebanon shows clear discrepancies between the regions with a dominance for the Central Lebanon region. After the end of the war, the State appointed the Council for Development and Reconstruction (CDR) to examine these regional inequalities; CDR designed "Plan Horizon 2000", a scheme aiming at balancing development amongst the regions, especially in terms of infrastructures and economy recovery. Plan Horizon 2000 is the only post-war development initiative with a regional outlook. The other development projects elaborated by the State are all concentrated within Greater Beirut' (Harb El-Kak 2000: 129).

6 'The existing, and limited, social service system is essentially manipulated for political and electoral purposes. This has led to waste, duplication of functions, and the diverting of aid away from those to whom it is destined' (Ne'meh 1996).

7 'Among the most serious effects of the war was the displacement of large numbers of people from their areas of origin, and the destruction of an estimated 100,000 housing units. This was often accompanied by the disappearance or death of family members, most of the time males, the break-up of families, the loss of job opportunities, and subsequent resettlement in areas not originally set aside for living. At the same time, education and vocational training levels declined, as did primary and secondary health care' (Haddad 1996).

8 On 26 April 2002, the second phase of the three-year UNDP project 'Building Capacity for Poverty Reduction in Lebanon' was launched during an official ceremony at the Lebanese Ministry of Social Affairs.

9 The 'Association Agreement' between the European Commission and

Lebanon was finally signed in 2002. The main preparations for the effective implementation of this agreement are: 'the promotion of social development and equilibrium to reduce income disparities and alleviate poverty, and reduction of environmental degradation; development of human resources through retraining to offset privatisation redundancies; and the promotion of human and individual rights and cohesion between Lebanon's numerous sectarian and religious groups' (European Commission 2002).

10 'Notwithstanding the importance of religion, there are no public data on the religious distribution of Lebanese citizens. In particular, the Lebanese government has been very reluctant to collect and release data that could disturb the very delicate sectarian balance that steers the Lebanese political system' (El Khoury and Panizza 2001: 7)

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12 | Understanding recent trends in poverty and inequality in the Maghreb (with an emphasis on Morocco)

MINA BALIAMOUNE-LUTZ

The scale and context of the problem

The 2001 World Bank report on Morocco (World Bank 2001a) emphasizes that poverty in Morocco has increased. In fact, Chapter 1 of the report starts with the following sentence: 'According to the 1998–99 Living Standard Measurement Survey conducted in Morocco, poverty showed a disturbing increase during the 1990s, regardless of how poverty is measured.' Furthermore, the data show that there is a rural bias in poverty. As stated at the beginning of Chapter 2 of the same report, '[p]overty continues to be mostly a rural phenomenon: almost one Moroccan out of four is poor in rural areas compared to one in ten in urban areas'.

The 1998–99 Living Standard Measurement Survey (LSMS) data indicate that Morocco has not achieved significant progress in social and human development. Gender inequality is still quite high and literacy rates for both men and women remain relatively low. Table 12.1 displays data on poverty and inequality in three different periods: 1984/85, 1990/91 and 1998/99. It shows that in 1984/85, 16 per cent of the population in Morocco were below the national poverty line. In 1990/91, this percentage fell to 13.1 per cent. By 1998/99, however, it had risen to 19 per cent. In 1990, the population living on $1 a day was 0.8 per cent; in 1999 the number had increased to slightly below 2 per cent (ibid.). Furthermore, Morocco has not experienced any improvement (reduction) in income inequality over the last two decades or so. The Gini coefficient[1] was 0.405, 0.393 and 0.395 in 1984/85, 1990/91, and 1998/99 respectively.

The other two Maghreb countries, Algeria and Tunisia, differed in terms of their experience with both poverty and inequality. The figures in Table 12.1 indicate that Tunisia has succeeded in lowering the incidence of poverty by about 46 per cent over the period 1990–95. Tunisia has the worst income distribution in the Maghreb, however, with a Gini coefficient in the mid-1990s of about 0.42. On the other hand, Algeria has the highest percentage of population under the national poverty line (a poverty incidence of 22.6 per cent). Furthermore, the country had the highest increase in poverty incidence (86 per cent) over the period 1988–95. Nevertheless, Algeria had lower expenditure (consumption)-based inequality and had a Gini coefficient of about 35 per cent in 1995.

During the 1990s Morocco achieved significant progress in macro-economic stabilization but much more needs to be done, especially on the social development front, including in the areas of education, poverty alleviation and gender issues. The literacy rate among Moroccans, aged fifteen and over, was only around 48 per cent in 1999 (see Table A.2 in Appendix A). In 1997, the World Bank found that although Morocco had stabilized the economy through budget deficit reduction, it failed to foster employment and achieve higher economic growth or improve social development (World Bank 1997).

TABLE 12.1 Poverty (headcount index) and inequality (national level)

	1984/85	1990/91	1998/99	Change 1990–99 (%)
Morocco				
Extremely poor	...	1.2	3.3	175
Very poor	...	7.0	9.8	40
Poor	17.5	13.1	19.0	45
Gini index (%)	40.5	39.3	39.5	...
Tunisia				
Extremely poor	...	...	...	...
Very poor	...	...	...	...
Poor	19.9 (1985)	14.1 (1990)	7.6 (1995)	-46
Gini index (%)	43.4 (1985)	40.1 (1990)	41.7 (1995)	...
Algeria				
Poor	12.2 (1988)	...	22.6 (1995)	85
Gini index (%)	...	...	35.3 (1995)	...

Sources: Data are from LSMS (Morocco 1994 and 2001 and Tunisia 1995) and World Bank (2000b, 2001b, 2002).

Table A.1 (Appendix A) displays selected economic and human development indicators for 1980, 1990 and 1999. While Morocco has improved its per capita income, it remains at a lower income compared with Algeria and Tunisia. Compared with these two countries and with middle-income countries, Morocco has (for all three periods) lower literacy rates and life expectancy, which is also reflected in its low human development index (HDI) and high human poverty index (HPI).[2] Both indices are produced by the United Nations Development Programme (UNDP). HPI is a useful indicator when considering countries that are, on aggregate, richer than they are developed, as is the case with most countries in the Arab region (see UNDP 2002). HPI reflects the shortage in indicators of human living conditions (not just the income or consumption component).

The primary goal of this chapter is to identify and discuss poverty and inequality trends, primarily in Morocco, for which there is a more recent and detailed Living Standard Measurement Survey (1998/99), which allows a good comparison of the inequality and poverty in the late 1990s, compared with the 1980s and early 1990s. When feasible I will also discuss the situation in Algeria and Tunisia. In addition, this chapter includes an empirical analysis of the effects of a group of factors on gender inequality in all three Maghreb countries. Two major inequality indicators deserve a thorough examination. The first is the gap between rural and urban areas in terms of poverty levels and the second is the significant gender gap in the Maghreb. Owing to the lack of consistent time series data on the former, however, only an empirical analysis of the gender dimension of inequality will be provided.

Section 2 will provide a summary of the available data, literature and surveys on poverty and inequality in the Maghreb, with emphasis on Morocco. Section 3 analyses the recent trends and tries to delineate their implications with respect to different dimensions of poverty and inequality. In Section 4, I discuss the major causes of poverty in Morocco and the role of policies and reforms. The chapter concludes with a summary of the major points.

Overview of the existing data and literature on poverty, inequality and reforms in Morocco

According to the figures in Table A.1, Tunisia seems to be the one success story in the Maghreb. The country has succeeded in lowering fertility rates to around 2 per cent, and has the highest life expectancy (seventy-two years in 1999) and the lowest illiteracy rates among the three Maghreb nations. Based on several development indicators, Tunisia seems to be in the top quintile of the middle-income group. Its HDI, at over 0.7, brings it closer to the high human development countries (countries with an HDI of at least 0.8). It is important to note that lowering fertility rates is considered a significant goal in the Maghreb countries, while in industrial regions, for example the European Union countries, falling fertility has been a problem in recent years. High fertility may produce an adverse gender bias. Given the lack of adequate social services to provide care for children while women are at work, many women could automatically be excluded from the labour force (by being forced to stay at home and care for their children). In addition, in the Maghreb countries the age dependency ratios (defined by the World Bank as the ratio of dependants to working-age population) are quite high compared with industrial countries. For example, in 1998 this ratio was 0.70, 0.61 and 0.61 in Algeria, Morocco and Tunisia respectively, compared with 0.46 and 0.49 in Spain and Greece respectively. High age dependency is generally associated with lower economic and human development. There has been a continuous lowering of the dependency ratio in the Maghreb. In 1980, this ratio was 1.02, 0.89 and 0.83 in Algeria, Morocco and Tunisia respectively (World Bank 2000b). As birth and death rates continue to fall, the proportion of the working-age population increases, contributing to lower age dependency. In general, country data show a strong correlation (though not necessarily causality) between lower fertility and economic development.

In collaboration with the World Bank, two Living Standard Measurement Surveys (LSMS) were conducted in Morocco by La Direction de la Statistique; one in 1990/91 and the other in 1998/99. The LSMS data were tabulated and analysed in two World Bank reports on Morocco (1994, 2001a). In addition, La Direction de la Statistique in Morocco had conducted a Household Consumption Survey (HCS) in 1984/85, which had been helpful in evaluating progress in the 1990s relative to the 1980s.[3]

In 1995, the IMF published in its Occasional Paper Series a report based on Nsouli et al. (1995), which reviewed and analysed Morocco's efforts to remedy the imbalances that had caused the economic and financial crisis of the early 1980s. While the IMF-initiated research was mainly devoted to fiscal and monetary management, it did include a section on 'social issues and protection' in Morocco. Nsouli et al. note:

> The authorities are aware that to reduce poverty further they must achieve higher growth through increased investment and higher productivity. In addition, targeting public investment to areas where the poorer segments of the population live and improving the flexibility of the labor market will be important. Finally, the authorities need to reallocate current expenditure to improve the availability of basic social and infrastructure services to the poor. (ibid.: 19)

In addition to the surveys and reports mentioned above, some studies have focused on the effects of trade and financial reforms undertaken in Morocco in the 1980s and 1990s. For example, Currie and Harrison (1997) examined the effects of trade reforms on capital and labour in Morocco. They report that many firms did not adjust wages or employment but state-owned enterprises increased employment by hiring low-paid temporary workers. The authors conclude that, overall, there were significant employment losses to exporters, and show that, in spite of labour market flexibility, many manufacturing firms did not reduce employment. Instead, those firms reduced profit margins and increased productivity in response to tariff reductions. Thus, trade reforms may contribute to reducing wages of non-skilled labour, hence causing higher inequality. We may also see an increase in poverty in spite of economic growth and growth in exports.

Fafchamps et al. (2002) examined the effects of exports on learning by Moroccan manufacturers. The authors find little evidence of *productivity* learning but their results provide support for *market* learning. More importantly, the authors show that the response of the manufacturing sector to trade liberalization primarily comes from new firms and new products. The authors point out that one policy implication is the mitigating effect that financial liberalization, which results in increases in real interest rates, would have on manufacturing exports. Higher interest rates are seen as a major obstacle to the creation of new firms and would weaken the country's response to trade liberalization. Obviously, this implies that we may not see a reduction in poverty and unemployment even after the implementation of trade liberalization and financial reform.

In order to examine the trends of inequality and poverty in Morocco in the 1990s it is useful to identify the context within which the Moroccan economy was operating. The 1990s represent a period of increased integration of world markets. Similar to many emerging economies, Morocco had begun to prepare its entry into the increasingly global world since the mid-1980s. Several trade and finance reforms were implemented during the second half of the 1980s, but the speed and depth of reforms intensified in the 1990s. These reforms included several major privatizations of formerly state-owned enterprises. Baliamoune and Chowdhury (2003) provide a summary of the reforms as well as an empirical analysis of the long-term behaviour and short-term dynamics of private savings in Morocco in response to financial liberalization in the 1980s and 1990s. Using time series analysis (co-integration models), the authors show that, in general, financial reform had a positive impact on the level of private savings in Morocco. They argue (ibid.: 160) that 'the financial reform programme has tentatively improved resource allocation in Morocco and with the availability of a greater range of savings instruments, with positive real returns, private savings have increased'.

An indicator that is widely used to proxy for increased integration in world markets is inward foreign direct investment (FDI). Morocco's share of FDI is higher than many other African countries but remains low compared with East Asia and Latin America's emerging economies. A study by Haddad and Harrison (1993) did not find support for the proposition that a foreign presence accelerates productivity growth in domestic firms in events of the second half of the 1980s. Unfortunately, there is no comparable study for the 1990s. Some researchers have, however, examined the effects of FDI on exports and economic growth, including data for the entire 1990s (see Baliamoune-Lutz 2003, 2004). These studies show that, in general, FDI had positive effects on exports and growth in Morocco.

It is important to note that understanding poverty and inequality in the Maghreb requires exploring their multi-dimensional nature. In the case of the Maghreb (and most Arab countries) alternative measures of poverty and inequality such as those based on education or literacy show a strong gender bias.

The multi-dimensions of poverty and inequality in Morocco

Measuring different types of poverty Both poverty and inequality in Morocco are multi-dimensional. The main dimensions are based on differences in gender, geographical region and rural versus urban poverty. As explained earlier, poverty in Morocco remains a rural phenomenon. Poverty also has a gender bias. In addition, some regions or provinces (particularly in the northern parts of the country) seem to be hit by poverty incidence much harder than the greater Casablanca area, for example. In this section I will discuss three indicators of poverty, namely the headcount index, the poverty gap and the severity index. I will also highlight the differences and similarities in the case of the headcount poverty index with Tunisia and Algeria.

HEADCOUNT INDEX Table 12.1 displays poverty measures based on the national headcount index for three periods.[4] We observe that, after declining in the early 1990s, poverty in Morocco increased sharply in the second half of the 1990s, with a 45 per cent rise over the period 1990–98. In this respect Morocco has not done worse than Algeria, which over the period 1988–1995 managed to almost double the percentage of its population below the national poverty line. Morocco has under-performed compared with Tunisia, however, which succeeded in bringing down the poverty rate to 7.6 per cent in 1995 from around 14 per cent in 1990. It is useful to emphasize that the national headcount index, which is the percentage of the population living below the poverty line, is a measure that is considered appropriate for the country by its authorities. The index does not account for the intensity (depth) of poverty. Still, the headcount index is the most popular poverty measure.

POVERTY GAP AND SEVERITY INDEX (NATIONAL LEVEL) To get an idea of the distance separating the poor's expenditure from the poverty line and of the inequality among the poor, we examine the poverty gap index and the poverty severity index. The first index measures the magnitude of poverty, considering both the number of poor people and how poor they are. It is the combined measurement of the incidence of poverty and the depth of poverty. The depth of poverty is defined as the proportion by which an individual is below the poverty line (it has a value of 0 for all individuals above the poverty line). The severity index is an indicator of the changes in inequality among the poor. The poverty severity index is the average value of the square of the depth of poverty for each individual. The poorest people contribute relatively more to the index. The poverty severity index gives a weight to the poverty gap (more weight to the very poor than to the less poor). The poverty gap and the severity index are also known as Foster-Greer-Thorbeke indices.

TABLE 12.2 Poverty severity and depth in Morocco, 1990–99

	1990/91	1998/99
Severity measure	Volumetric index (%)	
Extremely poor	0.15	0.63
Very poor	1.15	2.13
Poor	2.7	4.42
Poverty gap	Depth of poverty index (%)	
Extremely poor	0.03	0.19
Very poor	0.31	0.72
Poor	0.82	1.58

Source: World Bank 2001a.

Table 12.2 shows that both the severity and the depth of poverty have increased. The overall poverty gap in 1990/91, the estimated cost of bringing the consumption level of every poor person to the upper poverty line, was 2.7 per cent of the cost of giving every person a transfer equal to the poverty line. In 1998/99, the cost increased to 4.42 per cent. In addition, the severity index indicates that inequality among the poor has also increased.

RURAL VERSUS URBAN POVERTY The figures in Table 12.3 indicate that poverty has a strong rural bias. In all three Maghreb countries the level of rural poverty is more than twice that for urban poverty. In Morocco and Algeria, the rural/urban gap increased in the 1990s, while in Tunisia it narrowed.

Table 12.4 shows the pre- and early-1990s and late-1990s rural/urban inequality in poverty for four North African countries. The figures suggest that the literacy-based measure of poverty implies that inequality in the Maghreb does not seem to be high compared with other countries (see data on other countries in World Bank Economic Indicators or UNESCO

TABLE 12.3 Rural and urban poverty and inequality in the Maghreb

	1984/85		1990/91		1998/99	
	Urban	Rural	Urban	Rural	Urban	Rural
Morocco						
Extremely poor	...	...	0.5	1.9	0.5	6.6
Very poor	...	...	2.8	10.7	4.2	16.5
Poor	17.3	32.6	7.6	18.0	12.0	27.2
Gini index	40.5	31.7	37.7	31.2	37.7	31.6
Tunisia						
Poor	12.0	29.2[a]	8.9[b]	21.6[b]	3.6[c]	13.9[c]
Algeria[d]						
Poor	7.3	16.6	...	...	14.7	30.3

Notes: [a] 1985; [b] 1990; [c] 1995; [d] The figures are for 1988 and 1995 instead of 1984/85 and 1998/99 respectively

Sources: Morocco: Data obtained from LSMS 1994 and 2001; Tunisia and Algeria: World Bank (2000a).

Statistical Yearbooks). This, however, is a result of the high illiteracy rates for both males and females in the Maghreb countries (and Egypt). The income- (or expenditure)-based measures of poverty clearly indicate that the high level of rural poverty is a common phenomenon in other parts of the world as well.

Measuring different types of inequality in Morocco

AGGREGATE INEQUALITY Table 12.1 shows that inequality based on the Gini coefficient has slightly increased (from 39.3 to 39.5). At least in the 1990s, Morocco seems to have a lower inequality than Tunisia and a higher inequality compared with Algeria. The Gini coefficient at the national level, however, does not convey a true picture of the extent of inequality in Morocco, since some regions or groups may have higher inequality than others. It is important also to examine measures of inequality in urban and rural areas as well as indicators of gender inequality.

The bottom 10 per cent of the population experienced a decline in their share of total expenditure between 1980–84 and 1998/99. The share in expenditure of the bottom 10 per cent of the population was 2.9 per cent in 1984/85, 2.8 per cent in 1990/91 and 2.6 per cent in 1998/99 (Table 12.5). On the other hand, the share of the top 10 per cent increased from 30.8 per cent in 1990/91 to 31.2 per cent in 1998/99. The proportion of the extreme poor has increased significantly, rising from 1.2 per cent in

TABLE 12.4 Rural/urban gaps for selected countries (%)

	Population below poverty line						Illiteracy rates					
	Pre-1990s			Mid and late 1990s			Pre-1990s			Mid and late 1990s		
	Rural	Urban	Ratio	Rural	Urban	Ratio	Rural	Urban	Ratio	Rural	Urban	Ratio
Algeria	16.6	7.3	2.27	30.3	14.7	2.06	81.1	58.8	1.38	71.2	42.9	1.66
Egypt				23.3	22.5	1.04	70.6	19.7	3.58	68.7	40.1	1.71
Morocco	18.0	7.6	2.37	27.2	12.0	2.27	88.5	61.3	1.44	79.3	41.1	1.93
Tunisia	29.2	12.0	2.43	21.6	8.9	2.43	75.4	49.5	1.52	60.0	31.9	1.88

Sources: Data on poverty are from World Bank (2002). Data on illiteracy are obtained from UNESCO Statistical Yearbooks for various years (1970–99).

TABLE 12.5 Distribution of consumption and inequality

		Distribution of consumption							Inequality measures		
		Lowest 10%	Lowest 20%	Second 20%	Third 20%	Fourth 20%	Highest 20%	Highest 10%	Gini coeff.	Richest 10% to poorest 10%	Richest 20% to poorest 20%
Morocco	(1984/85)	2.90	...	...	...	...	...	31.7	40.5	10.9	...
	(1990/91)	2.80	...	...	...	...	...	30.8	39.2	11.0	...
	(1998/99)	2.6	6.5	10.6	14.8	21.3	46.6	30.9	39.5	11.8	7.2
Tunisia	(1985)	2.2	...	...	...	...	...	33.9	43.4	15.4	...
	(1990)	2.3	...	...	...	...	...	30.5	40.1	13.3	...
	(1995)	2.3	5.7	9.9	14.7	21.8	47.9	31.8	41.7	13.8	8.5
Algeria	(1995)	2.8	7.0	11.6	16.1	22.7	42.6	26.8	35.3	9.6	6.1

Sources: World Bank (2002), LSMS for Morocco and Tunisia, and author's calculations.

1990/91 to 3.3 per cent in 1998/99 (Table 12.1). The ratio of the richest 10 per cent to the poorest 10 per cent in Morocco has been increasing, while in Tunisia it first declined and then slightly increased in the 1990s. Tunisia, as mentioned earlier, however, has higher national group inequality than the rest of the Maghreb.

INEQUALITY IN RURAL AND URBAN AREAS Table 12.3 above displays Gini coefficients for rural and urban areas. First, we note that in all three periods urban inequality was higher than inequality in rural areas. Second, while in the second half of the 1990s urban inequality did not change, rural inequality slightly increased. Thus, the spread between urban and rural inequality had declined in the early 1990s but slightly increased in the second half of the 1990s. In addition, as discussed earlier, the poverty-based inequality between rural and urban areas is quite high and has increased in Morocco and Algeria for most of the 1990s.

GENDER INEQUALITY Figures 12.1a–12.1c portray the relationship between gender inequality in education and openness to international trade (defined as the ratio of exports and imports to gross domestic product) in Algeria, Morocco and Tunisia. In all three countries *youth* female-to-male illiteracy ratios are higher than *adult* female-to-male illiteracy ratios. One explanation is that while literacy (education) rates at the national level (total) have improved over time, the improvements are higher for men than they are for women. Consequently, we observe that gender inequality (at least based on education differentials) has increased over time.

In both Algeria and Morocco youth illiteracy ratios (female to male) began to decline in the 1990s (the second half of the 1990s in the case of Morocco). Interestingly, youth illiteracy ratios in Tunisia have displayed an upward trend for over three decades. While this may seem puzzling, given the good economic performance of Tunisia, one may advance the following plausible explanation. Openness to international trade has led to an increase in the size of the manufacturing sector in Tunisia. The manufacturing sector in most developing countries tends to be unskilled (or low skilled) and labour intensive. We posit that the female labour force has a large proportion of unskilled labour. If this proposition is valid we would expect a higher female labour force to be associated with higher female-to-male illiteracy ratios.

This, indeed, is confirmed by the correlation coefficients reported in Table 12.6. In both Morocco and Tunisia, the Pearson correlations between labour force and illiteracy ratios are positive and very significant (exceeding 0.9). This suggests that higher female participation in the labour force (as a percentage of the total labour force) is associated with higher gender inequality. On the other hand, in the case of Algeria the correlation between

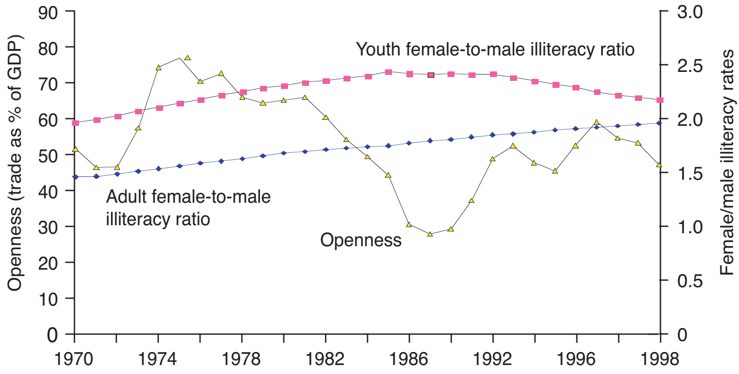

Figure 12.1a Gender inequality and openness in Algeria

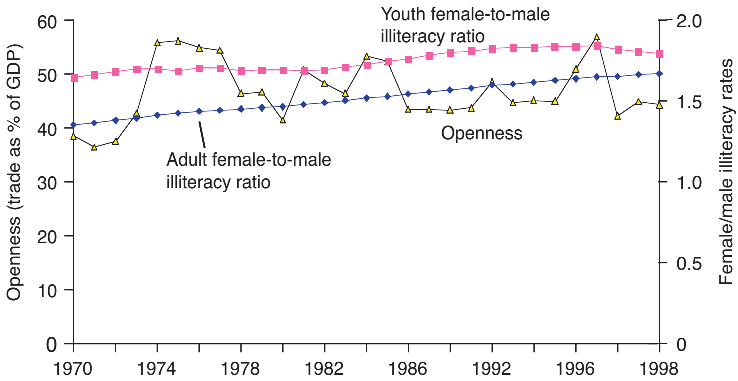

Figure 12.1b Gender inequality and openness in Morocco

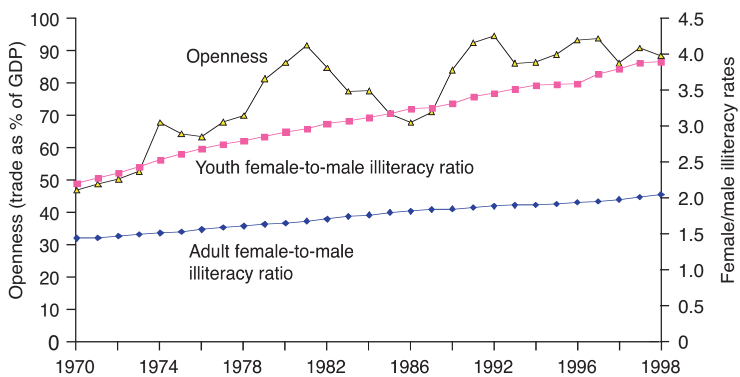

Figure 12.1c Gender inequality and openness in Tunisia

TABLE 12.6 Correlation coefficients between gender inequality measures, growth and integration

		Female labour force (% of total labour force)	Female-to-male adult illiteracy ratio	Female-to-male youth illiteracy ratio
Algeria	Adult female/male illiteracy rate	0.777		
	Youth female/male illiteracy rate	-0.719	-0.181	
	Openness (ratio of imports and exports to GDP)	0.047	-0.433	-0.598
	Foreign direct investment, net inflows (% of GDI)	-0.212	-0.521	-0.338
	GDP growth (annual %)	-0.084	-0.495	-0.302
	Workers' remittances, receipts (BoP, current US$)	0.876	0.674	-0.655
	Income per capita	0.494	0.905	0.223
Morocco	Adult female/male illiteracy rate	0.939		
	Youth female/male illiteracy rate	0.888	0.930	
	Openness (ratio of imports and exports to GDP)	-0.479	-0.356	-0.297
	Foreign direct investment, net inflows (% of GDI)	0.531	0.651	0.567
	GDP growth (annual %)	-0.225	-0.185	-0.165
	Workers' remittances, receipts (BoP, current US$)	0.943	0.937	0.901
	Income per capita	0.987	0.972	0.921
Tunisia	Adult female/male illiteracy rate	0.921		
	Youth female/male illiteracy rate	0.934	0.991	
	Openness (ratio of imports and exports to GDP)	0.693	0.615	0.654
	Foreign direct investment, net inflows (% of GDI)	0.245	0.074	0.118
	GDP growth (annual %)	-0.112	-0.145	-0.114
	Workers' remittances, receipts (BoP, current US$)	0.738	0.799	0.845
	Income per capita	0.931	0.924	0.926

Source: Author's calculations on the basis of data obtained from World Bank (2002).

TABLE 12.7a Gender inequality, growth and integration: Algeria (coefficient)

	Dependent variable: adult illiteracy ratios		Dependent variable: youth illiteracy ratios	
Constant	0.459 (0.049)	0.882 (0.009)	-0.0046 (0.000)	2.588 (0.000)
Openness (ratio of imports and exports to GDP)	-0.004 (0.002)	-0.004 (0.002)	0.018 (0.037)	-0.005 (0.042)
FDI	0.015 (0.088)	0.014 (0.100)	-0.0073 (0.191)	0.018 (0.205)
GDP growth	-0.006 (0.034)	-0.005 (0.089)	-0.0011 (0.119)	-0.007 (0.149)
Labour force, female	0.069 (0.000)	0.047 (0.003)	-0.0046 (0.939)	-0.004 (0.885)
Dummy for 1990s		0.097 (0.0.78)		0.011 (0.900)
F	20.10 (0.000)	18.36 (0.000)	2.04 (0.121)	1.57 (0.209)
Adj. R-square	0.732	0.756	0.129	0.092

Note: p-values are in parentheses; 29 observations

adult illiteracy ratios and the female labour force is strong and positive while the association between youth illiteracy ratios and the female labour force is negative. This may indicate that younger women in Algeria value education more or have better opportunities to stay in school. Alternatively, it could be the result of the sectoral composition of Algeria's economy. Algeria's manufacturing and agricultural sectors are much smaller (in size and as a percentage of GDP) than in the other two countries. Manufacturing and agriculture are, in general, non-skilled and labour intensive.

Gender inequality may manifest itself through various dimensions, including inequality in employment, education, customs and laws. In general, development researchers focus on inequality in employment and wages, and education. Evidence on the negative effects of gender inequality in education on economic growth and development has been documented in various studies (Klasen 2002; Knowles et al. 2002; Hill and King 1995; Baliamoune-Lutz 2005). While many studies view a lower ratio of women in the labour force as gender inequality, however, some scholars have considered the type of industries that employ women and have argued that in some industries a higher female share of the labour force may imply higher gender inequality, and that higher growth may be correlated with higher gender inequality. For example, Seguino (2000) shows that there was a high female labour concentration in export-oriented industries in a

TABLE 12.7b. Gender inequality, growth and integration: Morocco (coefficient)

	Dependent variable: adult illiteracy ratios		Dependent variable: youth illiteracy ratios	
Constant	-1.186	-0.816	0.1418	0.536
	(0.000)	(0.000)	(0.518)	(0.011)
Openness (ratio of imports and exports to GDP)	0.0003	-0.0001	-0.0002	-0.001
	(0.713)	(0.936)	(0.883)	(0.515)
FDI	0.006	0.002	0.0034	-0.002
	(0.002)	(0.334)	(0.126)	(0.490)
GDP growth	0.0004	0.0004	0.0000	0.000
	(0.726)	(0.576)	(0.993)	(0.961)
Labour force, female	0.079	0.069	0.0475	0.036
	(0.000)	(0.000)	(0.000)	(0.000)
Dummy for 1990s		0.062		0.066
		(0.000)		(0.000)
F	91.85	160.58	21.65	31.47
	(0.000)	(0.000)	(0.000)	(0.000)
Adj. R-square	0.928	0.966	0.747	0.845

Note: p-values are in parentheses; 29 observations

group of semi-industrialized countries. The author finds that GDP growth was positively correlated with gender wage inequality. Given that female labour in such industries tends to be low skilled or unskilled, we would expect lower education to be associated with a higher wage gap. Thus, it is more instructive to focus the econometric analysis on inequality in education and consider female participation in the labour force as a possible determinant of gender inequality.

Empirical tests The first two columns (under 'coefficient') of Table 12.7a show that in Algeria openness and growth seem to contribute to reducing gender inequality in adult literacy but FDI produces the opposite effect. Its coefficient is, however, in general, statistically insignificant (at the 5 per cent level). On the other hand, the coefficient on the labour force is statistically significant and positive, suggesting that higher female labour force participation causes (or at least is associated with) higher gender inequality. The results using gender inequality based on differentials in youth illiteracy also indicate that openness seems to contribute to reducing gender inequality but all other coefficients are statistically insignificant. We also note that the coefficient associated with the dummy variable for the 1990s (increased world market integration) is, in general, not significant.

In the case of Morocco, Table 12.7b indicates that female labour force

TABLE 12.7C Gender inequality, growth and integration: Tunisia (coefficient)

	Dependent variable: adult illiteracy ratios		Dependent variable: youth illiteracy ratios	
Constant	-0.799 (0.015)	-0.311 (0.171)	-3.548 (0.000)	-2.251 (0.000)
Openness (ratio of imports and exports to GDP)	-0.001 (0.678)	-0.002 (0.142)	0.000 (0.993)	-0.003 (0.240)
FDI	-0.003 (0.495)	-0.006 (0.038)	-0.004 (0.641	-0.013 (0.022)
GDP growth	-0.0003 (0.942)	-0.004 (0.127)	0.002 (0.822)	-0.008 (0.125)
Labour force, female	0.093 (0.000)	0.078 (0.000)	0.235 (0.000)	0.198 (0.000)
Dummy for 1990s		0.141 (0.000)		0.374 (0.000)
F	43.72 (0.000)	85.39 (0.000)	55.68 (0.000)	162.66 (0.000)
Adj. R-square	0.859	0.9378	0.886	0.9665

Note: p-values are in ; 29 observations

participation seems to cause higher gender inequality, while the coefficients on growth, openness and FDI are, in general, statistically insignificant. The coefficient associated with the dummy variable for the 1990s (increased world market integration) is significant at the 1 per cent level. This implies that higher inequality may be influenced by (or at least associated with) factors other than the trade and finance reforms undertaken by Morocco during most of the 1990s. In other words, inequality was higher in the 1990s after controlling for these other factors.

Turning to Tunisia (Table 12.7c), we note that results are very similar to those obtained for Morocco. The only exception is for FDI. Table 7c shows a statistically significant (at the 5 per cent level) coefficient on FDI when the equation also includes the dummy variable for the 1990s. The coefficient on FDI is negative, suggesting that an increase in inward FDI contributes to reducing gender inequality. This result seems to be consistent with the proposition that inward FDI could be human-capital-enhancing. Assuming that FDI creates more opportunities for women to acquire (education) skills, such a result (a positive link between FDI and gender equality) is quite plausible. In addition, Tunisia may have been more successful (relative to Morocco) in attracting FDI in skill-intensive export industries.

In summary, the econometric results fail to provide unambiguous evidence to back the negative link between openness, FDI and inequality. On the other hand, there is strong support for a positive link between the share of the female labour force in the total labour force and gender inequality. It seems that an increase in the female labour force (as a percentage of the total labour force) causes (or at least is associated with) higher gender inequality. This is an important finding that necessitates a thorough analysis of the economic activities in which a large share of the female labour force is involved. It is, however, beyond the scope of this chapter. Instead, we shall advance some plausible explanations for this relationship between the female share of the labour force and gender inequality in Morocco and Tunisia. Both countries have enhanced their export orientation. But the bulk of their export-oriented sectors are in manufacturing. At least in the case of Morocco, manufacturing exports are unskilled-labour intensive (textiles and leather manufactures). These industries also tend to employ a large portion of the female labour force. The empirical results may suggest that the short-term opportunity cost of not earning an income (wage) is higher than the opportunity cost of not getting an education. Alternatively, gender inequality could cause an increase in the female share of the labour force; in the sense that illiterate women have no other occupation of their time and are poorer, so they must join the labour force and earn an income. One way to explore this proposition is to examine the differentials between male and female workers. Table A.1 (in Appendix A) shows that in Morocco and Tunisia, the ratio of male-to-female estimated earned income is at 2.5 and 2.8 respectively. Compared with European and Asian countries, income-based gender inequality in the Maghreb is higher. More importantly, the high ratio is consistent with the proposition that a higher share of female labour in the labour force may be associated with higher – not lower – gender inequality (if the income differential increases).

Identifying the causes of poverty in Morocco and the role of policies and reforms

Causes of poverty

> Slow economic growth accounted for roughly 84 per cent of the increase in poverty at the national level in the 1990s. The rest was due to a more unequal income distribution. Although at the national level relative inequality hardly changed during the 1990s (Gini coefficient stagnated around 39 per cent), this appears to mask different patterns of inequality across urban and rural areas. (World Bank 2001a: ii)

The World Bank (ibid.) lists six causes of increased poverty in Morocco. These include a fall in manufacturing exports, a slowdown in employment creation which has led to a significant increase in urban unemployment,

TABLE 12.8 Growth – sectoral composition (average annual growth, %)

	Morocco		Tunisia		Algeria		Middle income	
	1980–90	1990–98	1980–90	1990–98	1980–90	1990–98	1980–90	1990–98
GDP	4.2	2.2	3.3	4.4	2.7	1.2	2.6	2.2
Agriculture	6.7	0.0	2.8	1.4	4.6	2.9	2.7	0.8
Industry	3.0	3.1	3.1	4.4	2.3	-1.0	2.6	1.5
Manufacturing	4.1	2.6	3.7	5.4	3.3	-9.0	3.3	3.7
Services	4.2	2.5	3.5	5.3	3.6	3.6	2.9	2.7

Source: World Bank 2000b.

poor performance of the agricultural sector due mainly to drought, agricultural policies and price changes, which have contributed to higher rural poverty, a decline in international worker remittances, increased public expenditure on consumer food subsidies (not targeting the poor) and insufficient public spending on social sectors. Here I examine the effect of four major causes of poverty in Morocco, with a brief mention of poverty in Tunisia (since poverty in Tunisia has declined).

THE AGRICULTURAL SECTOR The average annual growth in the agricultural sector in Morocco was much lower (0 per cent) in the 1990s than it was in the 1980s (6.7 per cent). It has also fallen significantly in Algeria and Tunisia (Table 12.8).

Figures 12.2a and 12.2b depict the co-movements between GDP growth

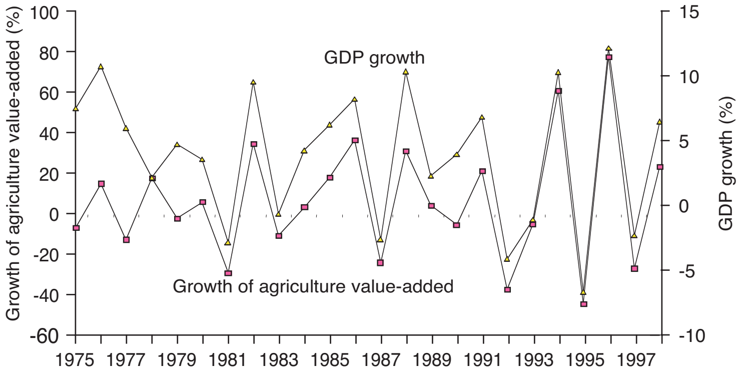

Figure 12.2a GDP growth and growth in agriculture value-added over time (Morocco)

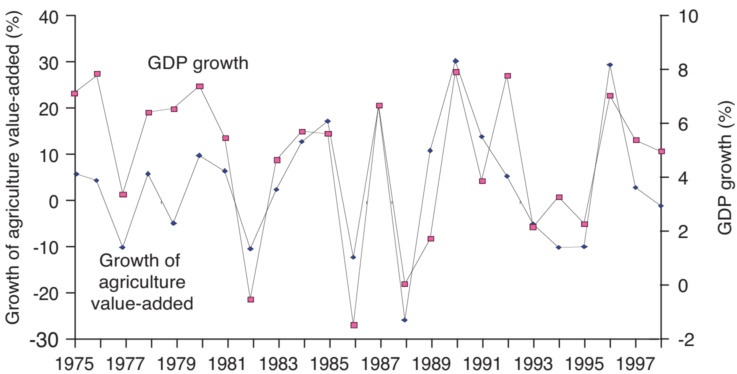

Figure 12.2b GDP growth and growth in agriculture value-added over time (Tunisia)

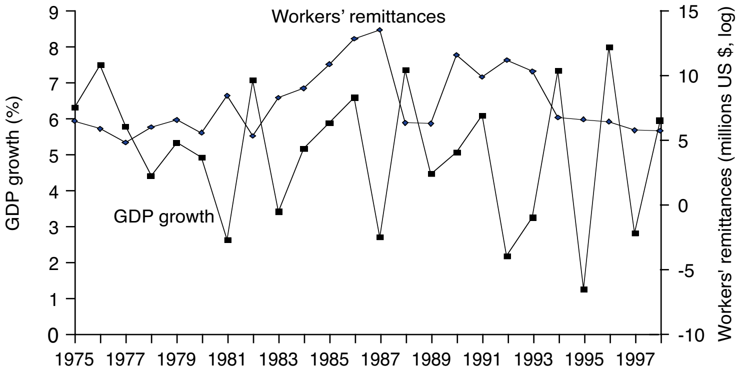

Figure 12.3a Workers' remittances and GDP growth (Morocco)

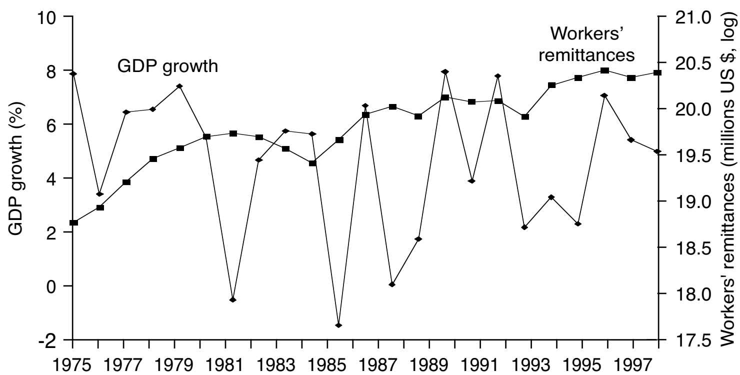

Figure 12.3b Workers' remittances and GDP growth (Tunisia)

and the growth of agricultural value-added in Morocco and Tunisia. It is clear that these co-movements are quite strong in both countries. Lower GDP growth is strongly correlated with lower growth of agricultural value-added. It is important to note that in the case of Tunisia, the growth rates in the manufacturing sector in the 1990s are higher than in the 1980s (5.4 per cent versus 3.7 per cent) which has contributed significantly to the reduction of poverty in the 1990s.

WORKERS' REMITTANCES Figures 12.3a and 12.3b show that in Morocco workers' remittances have been falling since 1993. The correlation between the two is not strong, however (in fact the coefficient of correlation is -0.26 and -0.12 for Morocco and Tunisia, respectively).

THE ROLE OF INEQUALITY The World Bank (2001a) recognizes that inequality may also have had an effect on increased poverty in Morocco. While

I agree with this, I believe it is important to add that both rural/urban inequality and gender inequality can have a major influence on growth.

PUBLIC SPENDING IN SOCIAL SECTORS The World Bank report on Morocco (ibid.) argues that while public spending rose in the 1990s from 9.1 to 12.5 per cent of GDP (35 to 43 per cent of total public expenditures), it remains quite low compared with the average for countries at similar levels of income. The average public spending on social services in comparable countries was about 20 per cent of GDP in the 1990s. For example, public expenditure on health in the late 1990s was less than half its level in comparable-income countries (1.2 per cent of GDP versus 2.8 per cent of GDP). A related corollary is that Morocco had high rates of infant mortality compared with other countries in the region.

The report also points out that Morocco did succeed in lowering child labour from 18 per cent in 1991 to 14 per cent in 1998; and in increasing school enrolments (children between the ages of seven and fifteen) from 58 per cent to 66 per cent over the same period. Social programmes in Morocco, however, including education, healthcare, basic infrastructure, social security and employment training, are strongly biased towards urban households. Given that poverty in Morocco is mainly a rural phenomenon, it is likely that without well-targeted programmes the trend in poverty incidence may continue.

Financial reforms and trade liberalization in the 1990s Morocco had embarked on financial reforms and trade liberalization, including privatization programmes, from the mid-1980s. In the 1990s, Morocco shifted to measures that encouraged savings rather than consumption. Baliamoune and Chowdhury (2003) provide an empirical study of the effects of financial reforms on private savings in Morocco. Morocco also tried to liberalize trade and increase openness to international trade by being more export oriented, rather than following import-substitution policies pursued throughout the 1970s.

Trade liberalization and financial reforms can contribute to higher inequality and poverty, particularly if they are not accompanied by institutional reform. Beyer et al. (1999) find that the rise in wage inequality in Chile in the 1980s and 1990s can be explained partly by the fall in the relative price of labour-intensive goods. More importantly, they find that trade causes the gap between skilled and unskilled labour to widen. To the extent that trade liberalization may have produced this effect in Morocco, it would be natural to see the rural areas (with mostly unskilled labour) being affected more severely.

Moreover, privatization is believed by some scholars to be unfair and may lead to higher inequality as a result of its distributional effects. It has been argued that privatization leads to changes in asset ownership, may have negative effects on employment, and may cause a reduction in the availability of products or services (for example, utilities) and increase their prices, once they are privatized. Birdsall and Nellis (2003) studied the distributional impact of privatization and found that 'many privatization programmes have worsened the distribution of assets and income, at least in the short run'. No studies have been undertaken to explore the effects of privatization on inequality in Morocco. Consequently, there is significant scope for research in this area. We should note that in certain cases privatization has allowed the popularization of certain products; for example, the privatization of the telecommunications sector has led to an intense popularization of mobile phones.

Addison and Baliamoune (2003) empirically show that institutions play a significant role in the success or failure of economic reforms in the Maghreb. Given that the level of institutional quality in the Maghreb is rather low, the somewhat 'average' achievement in terms of getting results from trade and finance liberalization could be the result of a lack of institutional reform. Table 12.9 shows the correlations between institutional quality and selected trade and social indicators in Morocco, Algeria and Tunisia. The data demonstrate that income and financial reforms are highly correlated in Morocco and Tunisia but not in Algeria. This may be an expected finding since Algeria has, in general, the lowest levels of financial and institutional reforms. Perhaps at low levels the correlation is very weak; i.e. there may be a threshold effect. Furthermore, institutional quality is positively correlated with income, FDI and financial reform in Morocco but not in the other two countries. It is possible that some government liberalization policies may have increased rural poverty. A simulation-based study by Löfgren et al. (1999) finds that trade liberalization in Morocco harms the rural poor, particularly in rain-fed areas. The authors also show that the trade policy simulations indicate that:

> tariff unification has a relatively limited impact on aggregate factor incomes and household welfare. However, removal of non-tariff barriers (expressed in tariff-equivalent form) has strong positive aggregate effects. Lowering of tariffs and removal of non-tariff barriers lead to depreciation and major expansions in non-agricultural exports and agricultural imports. Growth accelerates for non-agricultural sectors but slows down in agriculture. Resources (labor and capital) move from agriculture to other parts of the economy. (ibid.: 22)

TABLE 12.9 Correlation coefficients – selected trade, institutional and social indicators

		Exports	Imports	Income	Institutional quality	Financial reform	Illiteracy	FDI
Morocco	Imports	0.392						
	Income	0.111	-0.622					
	Inst. quality	0.347	-0.178	0.565				
	Financial reform	0.202	-0.407	0.879	0.504			
	Illiteracy	-0.151	0.559	-0.984	-0.555	-0.939		
	FDI	-0.103	-0.437	0.624	0.482	0.606	-0.610	
	Age dependency	-0.097	0.579	-0.983	-0.523	-0.924	0.995	-0.596
Algeria	Imports	0.735						
	Income	-0.565	-0.831					
	Inst. quality	0.111	0.212	-0.273				
	Financial reform	-0.627	-0.416	-0.053	-0.035			
	Illiteracy	0.386	0.629	-0.938	0.203	0.349		
	FDI	0.410	0.648	-0.736	0.176	-0.108	0.620	
	Age dependency	0.366	0.593	-0.917	0.189	0.386	0.998	0.578
Tunisia	Imports	0.830						
	Income	0.755	0.584					
	Inst. quality	-0.276	-0.364	0.001				
	Financial reform	0.635	0.499	0.766	-0.480			
	Illiteracy	-0.736	-0.598	-0.989	0.082	-0.825		
	FDI	0.258	0.338	0.073	0.2846	-0.250	0.003	
	Age dependency	-0.730	-0.578	-0.996	0.0287	-0.787	0.996	-0.016

A major factor in achieving higher growth and reducing poverty is to increase competition and improve productivity, both of which are thought to be attainable through export orientation. The facts show that while Morocco did succeed (relatively) in shifting to export orientation, it did not achieve a level that would ensure significant poverty reduction, particularly in rural areas. Even in the early 1990s, it was apparent that poverty in Morocco had a rural bias and that inequality was significant. Nsouli et al. (1995: 18) argue that 'considerable disparities in living conditions and welfare indicators still prevail between urban and rural areas and between the different income groups in those areas'. (See also Appendix B, which reproduces some findings and policy recommendations outlined in World Bank 2001a: ix.)

Conclusion

The main goal of this chapter has been to identify and comment on the trends of poverty and inequality in the Maghreb, with an emphasis on Morocco. It is noted that both national poverty levels and aggregate income (expenditure) inequality in the Maghreb are relatively high. Morocco, however, had much higher poverty rates and lower inequality relative to Tunisia.

I have also argued that poverty and inequality in the Maghreb are multi-dimensional. Two aspects are, however, worth emphasizing. First, poverty in rural regions is much higher than in urban areas. Second, in all three countries gender inequality remains high. Some of the causes of the increase in poverty in Morocco include a negative growth in agricultural output, a decline in workers' remittances and increased public expenditure on consumer food subsidies (not targeting the poor), and insufficient public spending on social sectors (World Bank 2001a).

It is important to note that while poverty in Morocco is a rural phenomenon, inequality has a strong urban bias. To the extent that trade and finance liberalization lead to increased urbanization, inequality in Morocco may see a continuing upward trend in the next few years. The rural/urban gap in Morocco is worrisome. The country continues to rely on rain-fed farming, which implies a high degree of exposure to shocks in periods of drought. In fact, in most of the years when Morocco had registered a significant decline in real GDP (recession) there had been a severe drought that caused agricultural output to decline. Beyond the fact that this causes rural poverty to increase, it also leads to migration towards urban areas, thus exacerbating urban unemployment and poverty.

The rural/urban gap explains only a small portion, however (about one-fifth) of the aggregate inequality in Morocco. According to the analysis by the World Bank: '[l]ess than 20 per cent of the aggregate inequality is due to differences between the mean expenditures between urban and rural areas: 80 per cent of the observed inequality at the national level would disappear if – *ceteris paribus* – the disparities within each area would be eliminated' (World Bank 2001a, vol. 2: 7).

In the 1990s, Tunisia succeeded in substantially lowering poverty rates and fertility rates, and in increasing life expectancy and literacy (to the highest rates in the Maghreb). While Algeria is natural gas rich and does not depend on agriculture, the agricultural sector in Morocco and Tunisia has traditionally employed large portions of the labour force. Tunisia managed to achieve higher growth in the manufacturing sector in the 1990s (5.4 per cent versus 3.7 per cent in the 1980s), which contributed to the reduction of poverty in the 1990s. In both the 1980s and the 1990s, Morocco under-performed, compared with Tunisia, in attracting FDI and enhancing skill-intensive exports.

This chapter has presented an empirical analysis of the determinants of gender inequality in the Maghreb. As emphasized in the *Arab Human Development Report* (UNDP 2002), gender inequality has been a major issue in most Arab societies. The empirical results indicate that, in general, a larger female share of the labour force is associated with higher gender inequality in all three countries. This is an important finding that could reflect the fact that many women leave (or never attend) school in order to join the unskilled labour market. I believe that gender inequality in education is a better measure than inequality in labour force participation because of the nature of the skills involved. A higher female share in the labour force tends to mask the fact that women are paid lower wages and are also employed mainly in the unskilled activities that are predominant in manufacturing industries, particularly in Morocco.

The role of policies and reforms has also been discussed. It is possible that some liberalization policies undertaken in Morocco may have exacerbated poverty in rural areas. As mentioned earlier, Löfgren et al. (1999) have shown that trade liberalization in Morocco may harm the rural poor, particularly in rain-fed areas. In addition, Morocco's social insurance system is quite weak; 5 per cent of the elderly poor received a formal pension in 1999. The predominance of the informal sector is a major contributor to this situation. An interesting finding in the LSMS 1998/99 was the fact that public transfers (in the form of formal pensions) have a clear impact on poverty and income inequality alleviation. This finding, however, indicates that there seems to be a dilemma for policy-makers in the current decade. The government undertook significant liberalization and privatization programmes in the 1990s, which continued in the following decade. To the extent that many public enterprises are privatized, the share of public employment will fall and consequently the social insurance system coverage provided by the public sector will shrink. Lay-offs following privatization may lead to more people losing jobs and their social insurance coverage. Moreover, market liberalization, particularly in the international trade market, may reduce government revenues and may cause the share of public spending devoted to pensions (and other social services) to fall, which would exacerbate an already precarious social development situation, especially in rural areas. The World Bank report (2001a) recommends, among other things, that Morocco target an annual GDP growth rate of 6 per cent and promote an export-oriented growth strategy by accelerating trade liberalization and realignment of the exchange rate; and promote growth in the industrial sector, especially in labour-intensive sub-sectors. Policy-makers in Morocco, however, must bear in mind that, to reduce poverty and inequality, it is crucial that Morocco pursue growth-promoting policies that target vulnerable groups and provinces with appropriate public expenditures.

Appendix A

TABLE A.1 Female and male estimated earned income, 2001 (PPP US$)

	Female estimated earned income	Male estimated earned income	Male/female ratio
Morocco	2,057	5,139	2.50
Tunisia	3,377	9,359	2.77
Egypt	1,970	5,075	2.58
Jordan	1,771	5,800	3.27
Brazil	4,391	10,410	2.37
Costa Rica	5,189	13,589	2.62
Mexico	4,637	12,358	2.67
Paraguay	2,548	7,832	3.07
Peru	1,903	7,206	3.79
Taiwan	4,875	7,975	1.64
Malaysia	9,529	20,578	2.16
Japan	15,617	35,061	2.25
Philippines	2,838	4,829	1.70
Sri Lanka	2,095	4,189	2.00
France	18,607	29,657	1.59
Germany	18,474	32,557	1.76
Netherlands	18,846	35,675	1.89
UK	18,180	30,476	1.68
Portugal	12,782	23,940	1.87
Bulgaria	5,484	8,378	1.53
Czech Republic	10,555	19,113	1.81
Hungary	9,183	15,803	1.72

Source: UNDP 2003.

TABLE A2 Human and economic development for selected years

	Morocco			Tunisia			Algeria			Middle income		
	1980	1990	1999	1980	1990	1999	1980	1990	1999	1980	1990	1999
Income per capita (PPP $)	1,566	2,780	3,419	2,285	3,840	5,957	3,111	4,546	5,063	3,580	5,610	6,100
Human Development Index (HDI)	0.472	0.538	0.596	0.572	0.654	0.714	0.559	0.648	0.693	–	–	0.740
Human Poverty Index (HPI) (1995 and 1998)	–	41.7	38.4	–	24.4	24.8	–	28.6	23.4	–	–	–
Personal computers (per 1,000 people)	–	–	10.77	–	2.60	15.33	–	1.0	5.95	–	–	24.14
Trade in goods and services (% of GDP)	41.33	48.40	64	85.84	94.16	86	40.05	38.39	52	44.76	43.76	53
FDI (millions of $)	89.4	165.1	850	234.6	77.4	350	315	−4.3	501	–	–	–
Industry, value-added (% of GDP)	30.94	32.4	32.17	31.11	29.79	28.0	53.67	45.49	50.38	41.74	38.64	34.01
Services, value-added (% of GDP)	50.63	49.90	52.59	54.75	54.49	59.15	36.26	40.80	38.17	45.89	49.96	55.75
Population growth	2.24	2.04	1.64	2.67	2.43	1.13	3.07	2.51	1.44	1.85	1.72	1.04
Life expectancy	58.01	63.48	67.65	62.41	68.08	72.05	59.28	67.37	70.48	64.75	67.85	69.45
Fertility rate	5.42	4.01	2.89	5.19	3.50	2.09	6.68	4.49	3.05	3.67	3.01	2.16
Illiteracy (total)	71.50	61.30	52.11	55.1	40.90	30.26	61.30	45.70	34.54	18.37	14.96	18.85
Illiteracy (female)	84.60	75.10	65.0	68.80	53.50	40.9	76.10	59.20	44.46	21.99	18.07	13.97
Urban population (% of total) (1998 instead of 1999)	41.1	48.2	54.5	51.5	57.1	64.1	43.5	52.4	58.8	55.8	61.6	65.3

Sources: World Bank 2000a; UNDP 2001.

Appendix B: Morocco – policy recommendations

Findings	Policy recommendations
• In 1998/99 about 5.3 million of Morocco's population were considered poor (19%), compared with 3.4 million in 1990/91 (13.1%); and the number of 'economically vulnerable', i.e. those who are at or below 50% above the poverty line, increased from 35 to 44% (or from 9 to 12 million). • 84% of the poverty increase is attributed to slow economic growth and the rest to the deterioration of income distribution. • During the 1990s inequality at the national level stagnated (Gini coefficient around 39%), but inequality in rural areas increased, while it decreased in urban areas. • Poverty continues to be mostly a rural phenomenon but urban poverty has also increased. • Incidence of poverty is higher in BAJ[a] provinces (27%) than in the non-BAJ (16%) provinces and about 36% of the poor (about 2 million) live in BAJ provinces. • With an elasticity of poverty to growth of 2.7, poverty incidence will be reduced by 8% p.a. if the GDP growth reaches roughly 6% p.a. (corresponding to 2.5% per capita household expenditure growth); a pro-agricultural growth would have a higher impact on poverty reduction (-13% p.a.) while an industry-biased growth would have the lowest impact on poverty (-2% p.a.).	• Reach roughly 6% annual GDP growth by promoting export-oriented growth strategy through: accelerating trade liberalization and realignment of the exchange rates; promoting growth in the industrial sector, especially in labour-intensive sub-sectors such as manufacturing, tourism and fisheries; tight fiscal policy and an active monetary policy; simplifying procedures for setting up new small and medium-size enterprises; and increasing access of small businesses to land and credits. • Reallocate public expenditures towards programmes benefiting disadvantaged groups and remote areas. Prepare a poverty map which would allow identification of the poor provinces and expansion of BAJ programmes.

Note: [a] *Barnamaj Aoulaouiyat Ijtimaiya* (Social Priorities Programme)
Source: Table adapted from World Bank (2001: ix).

Notes

1 The Gini coefficient or Gini index is a measure of the extent of income (or consumption expenditure) inequality. It measures the extent to which the distribution of consumption or income deviates from a perfectly equal distribution. It is expressed as a percentage or as the numerical equivalent of that percentage, and is always between 0 and 1. In all three countries, the Gini coefficient calculations are based on cumulative distribution of mean expenditures by decile (units of local currency/person/year).

2 The Human Development Index (HDI) is a composite index measuring average achievement in three basic dimensions of human development – longevity, knowledge and standard of living. The Human Poverty Index (HPI) for developing countries (the index for OECD countries is measured differently) is a composite index that measures deprivation in the same three basic dimensions that are captured in the HDI. (See UNDP *Human Development Reports* for calculation details.)

3 There are some comparison problems between the HCS and the LSMS. It has been shown, however, that the choice of different poverty lines and poverty measures does not affect the general conclusions about poverty in Morocco (World Bank 1994: i).

4 The headcount index used here is as defined by the World Bank. It measures the proportion of the population for whom consumption (or income) is less than the poverty line. The measures for the Maghreb are based on consumption (expenditure) and are compared with a national poverty line. People are classified as poor if their consumption expenditure falls below this poverty line. The poverty line is defined as the value of a basket of basic foodstuffs and non-food goods. For example, for Morocco, in 1998/99 the poverty lines are DH 3,922 per person and per year for the urban level, DH 3,037 per person and per year for the rural level, and DH 3,337 per person and per year at the national level (compared respectively with DH 2,674, DH 2,384 and DH 2,495 in 1990/91) (World Bank 2001a, vol. 2: 5).

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13 | Poverty evaluation in Algeria: a logit-probit model applied to a multi-dimensional field survey in the region of Tlemcen

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Since the mid-1980s Algeria has implemented a structural adjustment programme, based on a stand-by agreement aimed at achieving the restructuring of the economy – which is supposedly conducive to higher and sustained growth – and maintaining a framework of macroeconomic stability with a minimum social cost. These economic reforms have resulted in a dramatic increase in poverty and have worsened income distribution. Research on poverty in Algeria is relatively scarce. The few studies on the social costs of economic reforms have so far been limited to income poverty measurements and/or the implementation of institutional support for poverty alleviation policies (World Bank 1994, 1998, 2000, 2001a, 2001b; Laabas 2001; CENEAP 1998; CNES 1988a, 1988b, 1988c, 2002; Ministry of Solidarity 2000; Benhabib and Ziani 1998, 1999, 2000, 2002b). As a result, factors, explanations and consequences have not been adequately addressed. Indeed, the power structure and its implications for poverty, inequality of access and opportunities, the role of social capital and non-economic factors have not been fully investigated. Such an investigation calls for a multi-dimensional approach in both its quantitative and qualitative dimensions, and our attempt here is to introduce such an approach.

The main objective of the study presented in this chapter is to explore and quantify factors responsible for the evolution of poverty in Algeria (in its urban and rural dimensions) during the period of economic reforms. We take into consideration quantitative and qualitative explanatory variables, particularly geo-demographic and social variables. The study tries to answer the following questions:

1 If income is the main factor in determining poverty, how can households adapt to changing conditions (Algeria is in transition to a market economy)?
2 Do power inequalities based on gender have negative effects on the distribution of income?
3 What is the relation between poverty and social indicators, namely education, health, income, housing and unemployment?

4 Have social policies contributed to alleviating poverty? And in this case, how can we explore the importance of solidarity as a main constituent of social capital?

The study is based on field research conducted in the region of Tlemcen, by means of multi-topic household and community surveys, covering a sample of 500 households. Two approaches are chosen for data analysis: a basic descriptive method and an explanatory method, which are carried out through an econometric model. In order to capture qualitative variables we use the logit-probit model based on a non-linear regression in which the signs of the coefficients help, first, to define factors affecting poverty dynamics, and second, to elaborate a systematic segmentation of the poor strata in both urban and rural areas.

We start with a brief examination of poverty dynamics during the structural adjustment programme. We discuss the trends of increasing poverty, rising unemployment and worsening income distribution and refer to the deterioration of social indicators such as education, health and housing. In the second section we consider the social protection policies that have been implemented in the face of worsening conditions. Such policies started with fairly good coverage, but later experienced drawbacks and difficulties. In the third section we discuss the results of the logit-probit-type model that we applied to a multi-topic survey covering a representative sample of 500 households in the region of Tlemcen.

The structural adjustment programme and social protection policies

The history of Algeria goes back to 8000 BCE, and has seen many developments, the last of which have included the French occupation in 1830, the revolution in 1954 and Algerian independence in 1962. During the colonial period the vast majority of indigenous people lived in abject poverty owing to massive dispossession and confiscation of land, high population growth, rural migration and mass unemployment.

In 1976, Algeria was declared a socialist state under the control of the Front de Libération Nationale (FLN). A new constitution allowed the establishment of a multi-party system as well as freedom of the press from 1989. After the first round of national elections, won by the Islamist party (FIS), elections were cancelled and a state of emergency was declared. Islamist violence began against the army, police, intellectuals, journalists and people judged to be acting in an 'immoral manner', as well as foreigners from selected countries, especially France. In 1999, a new president was elected, a peace accord between the two main factions was instituted and an amnesty for thousands of detainees was declared.

In the 1960s and 1970s, Algeria saw rapid GDP growth (6.4 per cent on average between 1966 and 1980). During the period 1980–96, however, growth was at best modest – 2.3 per cent – and even negative in the early 1990s. During most of the forty years since its independence in 1962, the investment rate in Algeria has been one of the highest in the world, averaging around 32 per cent of GDP annually. Rapid industrialization and infrastructure building were financed by oil revenues and foreign loans. Moreover, in the two decades following independence social indicators improved: the primary enrolment ratio increased well above the MENA average and there was a considerable increase in life expectancy due to improvements in health and access to safe water and sanitation and incipient social security measures. All this contributed to progress in the Human Development Index (HDI) and the Human Poverty Index (HPI), and to a sharp decline in poverty.

Starting from 1986, economic growth declined, as did social indicators, as a result of a fall in oil prices, mounting external debt (over US$30 billion, which was equivalent to the average annual GDP during the 1980s, while annual debt reimbursement averaged more than two-thirds of annual export revenues), slow and hesitant reforms (due mainly to political factors), an inefficient public sector, and civil strife that started in 1992. This unsustainable situation forced the Algerian authorities to negotiate debt rescheduling, stringent stabilization and adjustment policies with the international financial institutions.

It should also be added that despite the existence of a large Algerian community in France, remittances from emigrants, as a proportion of exports and imports, are low (less than 20 per cent in the 1960s and less than 1 per cent in 2004) compared to many labour-exporting countries such as Morocco, Sudan, Egypt, Jordan and Yemen. The remittances are often used to support the consumption needs of the recipient families and are generally spent on imported consumer goods. Among the factors responsible for this low proportion are:

- the ineffectiveness of the government in organizing and encouraging emigrant remittances;
- the effect of the overvalued Algerian dinar during the 1970s and 1980s;
- the existence of a more active and favourable black market for foreign exchange; and
- relatively low rates of return and relatively underdeveloped intermediate financial institutions.

Over the past decade, a number of factors (inappropriate policies, the fall in oil export earnings, political factors and weather fluctuations) have had adverse effects on Algeria's economic performance. Economic reforms, therefore, have been undertaken, enabling the country to reform policies aimed at boosting structural incentives and achieving economic restructuring, which is supposedly conducive to higher and sustained growth. The reforms sought to achieve these aims without imposing unduly high reductions on consumption per capita, which would increase the number of the poor during the initial stages of the programme. This programme, assisted by the International Monetary Fund (IMF) and the World Bank, consists of stabilization and adjustment policies that cover macroeconomic reforms as well as reforms of the exchange rate, the financial sector, public enterprises and the agricultural sector. The results of this programme can be summarized as follows.

As regards the balance of payments, if changes in the current account and the trade balance are viewed as indicators, these generally exhibited improvements. The achievement of such improvements, however, was due mainly to cuts in imports. In addition, owing to the deflationary policy and the shortage of international means of payments, import cuts had serious repercussions on economic growth. Furthermore, the rise in inflation during the early reform years, the results of bottlenecks and repetitive devaluations, coupled with increasing unemployment resulting from the retrenchment of 630,000 workers following the restructuring of public enterprises, led to a real decline in the consumption level and an increase in poverty. From 1988 to 2000, the number of poor people jumped from 5.5 million to an estimated 8.5 million people on the basis of the upper poverty line.

This situation is similar to that of Ghana. Donkor (2002) points to the adverse effects of the structural adjustment programmes in a number of African countries, and takes Ghana as an illustrative example; where the Human Development Index decreased, and the level of public provision for public services was lowered (for example, for education and health). These experiences have led many scholars to call for policies to attenuate the adverse effects of adjustment; for instance, Pogge (2002) calls for global 'responsibility' to alleviate poverty: 'given our rising affluence, the required shift in global income distribution would be small and barely noticeable in the developed countries'. Townsend and Gordon (2002) drafted a set of international policies to offset the rise of inequality accompanying globalization and to protect the vulnerable. The burden of poverty has many implications for macro variables such as unemployment, income, health, education and housing.

Poverty and unemployment In general, as Table 13.1 shows, unemployment has worsened as GDP[1] has stagnated at about 2.1 per cent (compared with a 3.5 per cent rate of growth in 1997). Moreover, population growth led to an increase in the active labour force, which jumped by nearly 50 per cent from 1997 to 2001.

TABLE 13.1 Unemployment and gross domestic product

	1994	1997	2000	2001
GDP growth (%)	1.38	3.5	2.5	2.1
Active population (1,000)	6,814	8,072	8,860	9,073
Official unemployment (1,000)	1,660	2,257	2,544	2,477
Official rate (%)	24.4	28.6	28.7	27.3

Sources: Data obtained from the National Statistical Office of Algeria (ONS). Also CENEAP 1998 and CNES 2002.

Although the official rate of unemployment remained high at 27.3 per cent, this figure none the less distorts the real magnitude of unemployment, as the latter, namely the gross unemployment rate, averaged 23 per cent when taking into account the 1,398,000 individuals working in the informal sector between 1994 and 2001. The rise in unemployment can be explained by the following:

1 A stagnant GDP growth, from 2.5 per cent in 2000 to 2.1 per cent in 2001.
2 The change in the population structure (or demographic transition; see Benhabib and Ziani 2002a) leading to an increasing number of newcomers to the labour market.
3 The increasing number of school drop-outs.
4 The retrenchment of an increasing number of workers from state-owned companies, the latest estimate being 630,000 workers.
5 The mismanagement of unemployment: while the social management of unemployment is founded on the presumption of flexibility in employment sharing (Boyer 1987), this problem was compounded by a mismatch in quality and lack of cohesion between the demand and supply of labour.
6 The soaring number of unemployed people among university degree holders (140,000 in 2001).
7 More than 70 per cent of the unemployed are under thirty years old: the age group structure by areas shows rising unemployment among the urban stratum under forty years of age. Moreover, data reveal that only around 10 per cent of those over forty are unemployed, with a higher incidence in rural areas relative to urban areas – 11.3 and 9.1 per cent, respectively.

8 Among the unemployed, 62.2 per cent belong to urban strata, of which one out of five individuals is female.
9 The ratio of unemployed women to unemployed men is 8.7/91.3 in rural areas and 19.0/81.1 in combined rural and urban areas; this difference may be explained by farm work.

Income, poverty and inequality The changes in income can best be plotted in a Lorenz curve, which shows the concentration of income in the hands of a small segment of the population.

The plot of the Lorenz curve (Figure 13.1a) for 1989 shows that the richest 20 per cent of the population possessed around 25 per cent of total income. This proportion of income doubled for the same group in 2001 (see Figure 13.1b). The arrow shows that the curve moved off the equality line, reflecting a deterioration in income distribution.

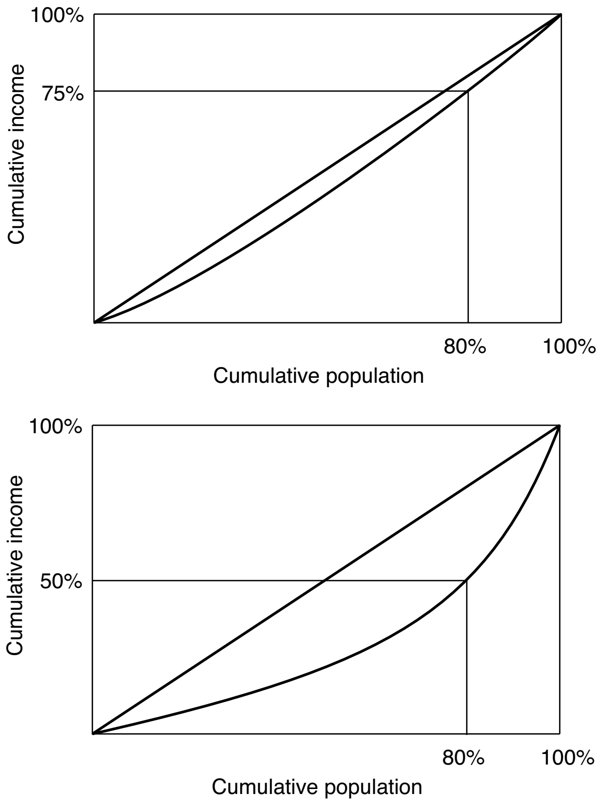

Figure 13.1a and b Income and inequality, upper a) 1989, lower b) 2001

In fact, data from a 1998 survey show that 534,404 households made up the poorest 20 per cent of the population. Moreover, the poorest households spend about 64 per cent of income on food on the basis of the maximum poverty line, while the richest 20 per cent of the population spends on this item only 34 per cent of their per capita income of 28,085 Algerian dinar (AD), which is nine times the mean per capita income of AD 3,042 of the poorest 20 per cent of households.

The heads of the poorest households belong to the working class (small farmers, rural and urban workers). This socio-professional category (SPC) accounts for 52 per cent of total households. Income disparities among the upper strata of Algerian society, as indicated by the Lorenz curve, show some resemblance with the case of Sri Lanka in 1996. This curve highlights the fact that anti-poverty policies have overlooked equality concerns in Algeria. It may be argued that the extent of inequality is inherent to the transition reforms that have accompanied political and economic liberalization.

Social indicators As far as social indicators are concerned, the following observations can be drawn from Table 13.2. The infant mortality rate, as well as child malnutrition, are still high at 3.6 per cent, as compared with Spain and Italy with 0.5 per cent (UNICEF 2001).

TABLE 13.2 Social indicators

	1994	1997	2000	2001
Life expectancy at birth (years)	67.5	69.5	69.9	70.7
Infant mortality rate %	5.07	4.4	3.6	3.6

Sources: Data obtained from the National Statistical Office of Algeria (ONS) and the Ministry of Health (Agence Nationale de Développement de la Santé); also CNES 2001a, 2001b.

TABLE 13.3 Poverty in Maghreb countries

Country	Survey year	Population below the poverty line Rural	Urban	National	Poverty gap at $2 a day %
Algeria	1995	30.3	14.7	22.6	3.6
Morocco	1998–99	27.2	12.0	19.0	3.1
Tunisia	1995	13.9	3.6	7.6	2.3

Source: World Bank 2000.

This figure is, however, half that of developing countries (6.3 per cent on average). Although there is some sign of rate stabilization for the major indicators, these variables remain considerably high, particularly when we attempt to assess the impact of the illiteracy rate of 40 per cent and the Human Development Index value (HDI) of 0.693, which gave Algeria 100th place in the world rankings (CNES) in 2001. Moreover, the Human Poverty Index (HPI) sets Algeria in fortieth place among the ninety developing countries. With regard to the proportion of the population living below the poverty line (see Table 13.3), Algeria, with 22.6 per cent in 1995, exhibits a much higher level than Tunisia (7.6 per cent) and Morocco (19 per cent). In Algeria's case, the poverty gap, which measures the difference between the poverty line and the mean income of the poor living below the poverty line, is 3.6 per cent, but this figure does not reflect the significant depth of poverty in the country. In all Maghreb countries poverty is more pronounced in rural areas. This geographic disparity in poverty levels in Algeria is understandable since the stabilization and adjustment programmes contributed to an increase in poverty owing to the elimination of a large share of the public sector and general subsidies.

Education, health and poverty With regard to education, the following characteristics should be highlighted:

- stagnant public expenditure on education, which represents 16.4 per cent of public spending;
- a declining secondary school enrolment ratio;
- an alarming number of drop-outs (8 per cent at primary level; only 5 per cent arriving at baccalaureate level) with a success ratio of 34 per cent;
- non-adjustment between education and occupation (this may be the reason for the unemployment of an increasing number of graduates).

TABLE 13.4 Expenditure on education and health

	1994	1997	2000	2001
Public expenditure on education as % of GDP	6.3	5.8	5.1	3.9
Public expenditure on health as % of GDP	4.0	3.8	2.6	2.7

Sources: Data obtained from the National Statistical Office of Algeria (ONS), the Ministry of Education and the Ministry of Interior and Local Authorities.

Data on health show a decline in overall public expenditure on healthcare, which fell from 4 per cent of GDP in 1994 to 2.6 per cent in 2000. Moreover, overall expenditure by the state fell compared with social security and household spending. This is coupled with a considerable increase in the cost of drugs and medicines. Some generic medicines have seen their prices soar to forty-four times their initial price (Benhabib and Ziani 2002a).

In fact, there has been a substantial deterioration in healthcare and prevention measures. Supply of public care remains fragmented, misallocated and very costly vis-à-vis the needs generated by crises, unemployment and social pressure.

Housing and poverty The increasing rate of urbanization in recent years has created problems impacting on the quality of life, the environment, and precariousness of housing in urban areas. This situation is summarized in Table 13.5.

TABLE 13.5 Selected parameters related to housing (%)

	1987	1998	2001
Urban population	49.67	58.3	60.8
Rural population	50.33	41.7	39.2
Precarious houses	6.40	6.95	9.95
Persons per room	2.65	2.30	1.87
Houses with drinking water	57.80	70.80	85.85
Houses connected to sewerage system	51.73	66.34	85.00

Source: CNES 2002.

The urban population represented 61 per cent of the total population in 2001. The number of urban agglomerations went up from 447 in 1987 to 579 in 1998. The population living in agglomerations was estimated at 23,645,623 in 1998, increasing by 16,901,291 in thirty-two years.

The population living in sparse areas is estimated at 562,720. The situation is compounded by rural exodus, rural migrants looking for jobs and those fleeing terrorism. The housing stock reached 5,470,217 houses in 2001, with an estimated 919,911 unoccupied dwellings, representing 16.8 per cent of the total housing stock.

The house occupation rate is estimated at 5.67 persons per house; and taking into account the occupied housing stock only, the real house occupation rate is around 6.82 persons, with the rate of occupation by room

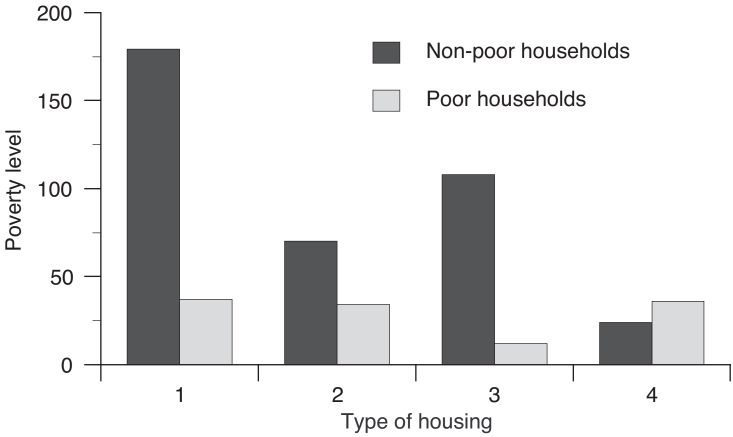

Figure 13.2 Housing and level of poverty

1.87 persons. With regard to housing conditions, the number of run-down houses is estimated at around 2 million units, and the number of precarious houses at 544,200 units, representing 9.95 per cent of the total housing stock; half these precarious units are considered to be irreparable.

Although housing conditions have improved in the last two decades, with a budget representing 3 per cent of GDP, a deficit in the housing stock still remains. The annual deficit (an increasing occupation rate of six people per house, including precarious housing) is estimated at around 800,000 units, with an additional demand of 100,000 units per year.

To alleviate poverty, Algeria has implemented some social protection policies. In what follows, we present two fundamental safety-net policies.

Safety-net policies, the Participatory Community Service Scheme and governance

Safety-net policies Since 1991, Algeria has been implementing social protection programmes, prompted by the need to:

- reduce the impact of stabilization and adjustment policies on the poor;
- avoid irreversible damage to the human capital of the poor;
- help reintegrate the poor socio-economically by way of re-employment;
- facilitate the implementation of stabilization and adjustment policies from a political point of view.

This system comprises two types of measures: the Solidarity Basic Allowance (SBA) and the Allowance for Community Work (ACW).

THE SOLIDARITY BASIC ALLOWANCE The SBA is offered to the heads of households aged sixty and over, who are without income, as well as to the disabled and those unable to work. The amount of the allowance is fixed at AD 900 per month with a premium of AD 120 for each member of the household. Over the last decade more than 471,358 people have benefited from this scheme.

THE ALLOWANCE FOR COMMUNITY WORK This allowance is paid to active people with no income, in return for community work within workshops organized by local authorities. The value of the allowance is AD 2,800 per month, which represents half the Algerian minimum wage. More than 135,000 people are involved in such programmes. Despite its benefits, however, this system has some drawbacks.

DRAWBACKS OF THE SBA AND THE ACW There have been some difficulties in targeting those who are eligible for the SBA and a close examination of records allowed the disqualification of the non-eligible. The latest study by Centre National d'Études et d'Analyse de la Planification (CENEAP) in 1999 reveals that 64.4 per cent of all beneficiaries are not eligible, and 11 per cent of retired people. The study shows that some gender disparities still exist, with 35.8 per cent of beneficiaries being women while 64.2 per cent are men.

With regard to the ACW, there are some difficulties in setting up workshops within communes that are understaffed and struggling to perform their daily duties. The CENEAP study reveals that 40 per cent of all beneficiaries are not poor and thus brings to light a somewhat relative inefficiency of the policies, which cannot, on their own, contribute to alleviating poverty, and should therefore be supplemented by other policies such as the Participatory Community Service Scheme.

The Participatory Community Service Scheme (PCSS) The Participatory Community Service Scheme comprises a multi-disciplinary team involved in alleviating poverty in a targeted district. The programme consists of four modules: hygiene and health, social rights assistance, education, and sports and cultural activities. Its appeal lies in the fact that it can minimize the cost of achieving poverty alleviation objectives. In addition, PCSS work is designed to inform decision-makers about the factors that are responsible for poverty, such as: socio-structural factors producing and maintaining deep inequalities; low school retention rates; and deficiencies in social and health protection for a large part of the population (Benhabib and Ziani 2000). It is useful to mention here some examples of social production policies adopted in other countries.

In Brazil many programmes have been undertaken: among them, the Fome Zero programme, which aims at eradicating hunger; the Programma de Estabilidade Social, which has the objective of extending social assistance to all workers; and the Projito Alvarda, which seeks to reduce inequalities between regions, as some regions have poverty rates above 37 per cent, with 15 per cent of people living in extreme poverty.

In Mexico, the Progresa Programme costs only 0.2 per cent of GDP and reaches almost 2 million households, while in Argentina the workfare programme Trabajar costs 0.25 per cent of GDP and benefits 350,000 unskilled unemployed workers, with transfers averaging 26 per cent of family income, and as much as 75 per cent of family income in households in the bottom 5 per cent of the income distribution.

In comparison, the Algerian safety-net system covers 15 per cent of the total population and amounts to 0.75 per cent of GDP. Moreover, current transfers (family allowances, social assistance, food subsidies, housing, youth employment support) represent only 5 per cent of GDP.

In Morocco, Tunisia and Egypt a number of measures and strategies have been initiated to address poverty and to promote social development. These have been successful to varying degrees in helping to alleviate poverty despite difficulties arising from establishing poverty lines, targeting, inadequate management and supervision, and institutional weaknesses.

Central and local poverty reduction strategy The new poverty reduction strategy is based on the implementation of a national programme and pilot projects. The national programme consist of the following units:

- the agriculture diversification and productivity programme;
- the unemployed youth training programme;
- the housing programme;
- the micro credit programme for the poor; and
- the healthcare programme.

The pilot projects consist of five selected *wilayas* (regions) – Algiers, Oran, Oum-El-Bouagui, Relizane and Souk-Ahras. These were chosen on the basis of criteria such as income, exclusion levels, safety-net coverage and public services, loss of human lives, social capital and compatibility of projects with government priorities and potential donors. The experience could be extended in the future to other regions in the country.

Social capital and governance: some arguments for the implementation of the concept of 'development facilitators' Neo-liberal critiques charge the welfare state with undermining civil institutions that presumably organize everyday life and meet its needs, and consequently with creating a culture of dependency which they regard as a distinct social, economic and moral

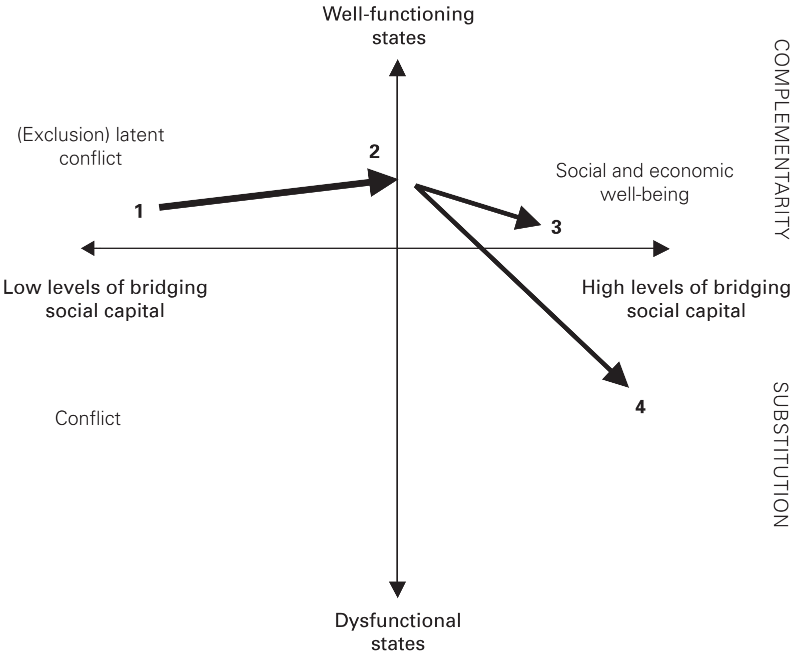

Figure 13.3 Relationship between bridging social captial and governance

disvalue. So pervasive is this critique that social development worldwide is shifting from a paradigm of 'development from without' to a paradigm of 'development from within', i.e. to the idea that communities must take greater responsibility for their own welfare. The belief is that if civil organizations were given genuine opportunities to act, then development would occur more successfully than through public policy solutions.

From this perspective, it is therefore imperative that poverty alleviation be consonant with social capital formation. The latter may be instrumental (Miller 1999) in the pursuit of developing equal opportunities and perfecting meritocracy, which can be achieved through the implementation of policies aimed at overcoming inequalities in social capital through the enlargement of civil society – a goal that is highly demanding. In this context some important egalitarian issues emerge if we assume that civil society includes expanding voluntary associations and displacing or reducing the role of government. Evidence from underdeveloped countries shows that strong social solidarity does not necessarily tend towards economic welfare (Woolcock and Narayan 2000).

In fact, part of social capital may be lent (monetized) to allow an individual to obtain social benefits (Coleman 1988), such as the transfer of goods or money, loans, access to information, access to jobs, etc. This social investment may be measured by the anticipated social return over a period of time. Social capital is one of the pillars of human capital accumulation in its intra- and inter-generational transfer. Measuring social capital may be difficult in that it may be positive in the case of an advantageous partnership but negative in cases involving the diffusion of mafia systems (Ballet and Mahieu 2001). In this context, it is argued that the synergies approach, based on complementarity and embeddedness between government and citizens, integrates the dynamics of institutional and network approaches. The top-down approach used in the PCSS has produced some disadvantages which can be overcome by the implementation of a more comprehensive synergies approach, as represented by the national strategy and its five pilot projects.

Figure 13.3, inspired by Woolcock and Narayan (2000) and applied to Algeria, shows four types of situations:

Situation 1, before the implementation of the national strategy, may be characterized by the following elements: a rich state with an ever increasing number of poor.

Situation 2, with the implementation of Participatory Community Service Schemes (PCSS), may be described as follows: high bonding, low bridging and dependency on the state.

Situation 3 is a simultaneous model: bottom-up and top-down, as in the case of the planned pilot projects for communitarian social and economic development which are part of the central and local poverty reduction strategy implemented during the period 2001–05 with a budget of US$13 billion.[2]

Situation 4 is a case of bad governance with unsuccessful implementation of local poverty reduction strategies.

The study in the Tlemcen region

Sample characteristics The *wilaya* of Tlemcen consists of fifty-three communes: ten communes are situated in urban areas and forty-three in rural areas. The number of households in the two types of area was estimated at 159,105 in 2002.

Presentation of the model In this approach we present a probability analysis in which different characteristics of households are retained in regression form (Equation 1). These characteristics include the composition of the household, the residence, education status of the head of the household, health status, etc.

The households constitute what we consider to be a representative sample in Tlemcen. The sample is divided into two categories: the first consists of poor households with a spending per head below the poverty line Z,[3] and the second category includes the non-poor with a spending per head above the poverty line Z.

Let $y_i = x_i \beta + u_i$ (1)

Where:
y_i: denotes the dichotomous qualitative variable
x_i: denotes the characteristics vector of household i
β: denotes the parameters vector
u_i: denotes the residuals (errors)

We note that the dependent variable used in function (2) is a binary variable (0 or 1). The use of the least ordinary squares (LOS) raises many problems, including the existence of a heteroscedasticity leading to a non-biased but inefficient (inaccurate) estimate.

The Generalized Least Squares (GLS), however, can solve the problem of heteroscedasticity with the anticipated values not necessarily varying between 0 and 1. Thus one solution would consist of setting a binary dependent variable stemming from a certain decision rule. This rule is a mechanism associating explanatory variables x_i to the observation of the outcome $\{y_i=0\}$ or $\{y_i=1\}$. The binary variable (poor or non-poor) expression is defined as follows:

$$\begin{cases} 0 \text{ si } y_i \succ Z \\ 1 \text{ si } y_i \leq Z \end{cases} \qquad (2)$$

THE PROBIT MODEL The specifications of this model are conceived to analyse quantitative data reflecting a choice between two alternative solutions – being poor or non-poor. The model measures the relation between the characteristics of the household and their level of poverty. The specifications help to define the probability of poverty among households.

We assume that the error u_i is a normal law variable with mean 0 and variance σ^2.

The density and the distribution functions related to a normal variable N(0,1) are respectively:

$$\phi(x) = \frac{1}{\sqrt{2\pi}} e^{-x^{2/2}}$$

and

$$\phi(x) = \int_{-\infty}^{x} \frac{1}{\sqrt{2\pi}} e^{-t^{2/2}} dt \qquad (3)$$

THE LOGIT MODEL In the logit regression model, the anticipated values of the dependent variable should never be equal to or less than zero or, conversely, equal to or more than one, whatever the values of the independent variables.

These characteristics can be denoted as :

$$A(x_i\beta) = \frac{\exp(x_i\beta)}{1 + (x_i\beta)} \qquad (4)$$

and the test of the model consists in the application of the likelihood function.

Comments on the results The results of the survey are described below (see also Maliki 2002).

Households are classified using the upper poverty line. Our study finds that 23.8 per cent (see Table 13.6) in the sample are deemed to be poor (119 households). This figure is 50 per cent higher than the World Bank estimate (see Table 13.3 above).

TABLE 13.6 Classification of households according to the upper poverty line

	Number	Cumulated	%	% Cumulated
0 (non-poor)	381	381	76.2	76.2
1 (poor)	119	500	23.8	100

(1) REVENUE SOURCE From the survey field, it appears that only half of those surveyed are wage earners, salary earners, or work on a daily basis. This can be partly explained by the loss of purchasing power and the precariousness of available jobs (see Table 13.7 and Figure 13.4).

We also note that 10.12 per cent of the respondents receive revenues from the eleven categories mentioned in Table 13.7, and this should give us an indication of the extent of the informal/parallel/underground sector in which they are engaged. The twelfth type of revenue source, named 'others' – which includes revenue from street peddling, petty domestic services and other similar activities in the informal sector – implies a better situation than other sources as far as revenue generation is concerned. We may infer that this is an unexpected outcome in that it contributes more than other types of income to alleviating poverty.

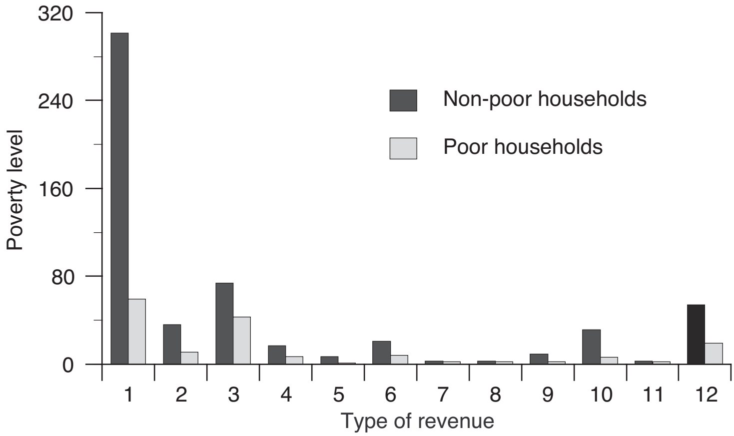

Figure 13.4 Type of revenue and poverty

TABLE 13.7 Revenue sources of households

Types	Number	%
Wages	360	49.93
Piecework	47	6.52
Daily	117	16.23
Family aid	24	3.33
Youth employment	8	1.11
Pension	29	4.02
Employment benefit	5	0.69
Social safety allowance	5	0.69
Rights claims	11	1.53
Independent activities	37	5.13
Immigrant remittances	5	0.69
Others	73	10.12
Σ	721	100

(2) SAVINGS The results show that monetary income is a determinant factor in our classification, and only 36.89 per cent of the respondents are able to save.

(3) DAYS IN DIFFICULTY Most of the households (74.37 per cent) have more than ten 'difficulty days' in a month, and it should be noted that some of the non-poor also have the same difficulty. Those in urban areas experience more difficulties than those in rural areas (176 households out of 295, i.e. 59.66 per cent).

(4) CONTRIBUTION TO INCOME BY HOUSEHOLD MEMBERS The study reveals that the contribution of the father amounts to 63.4 per cent of household income. The share of contributions by other household members, however, rose gradually, since 26.4 per cent of households benefited from collective contributions, which are due largely to the decreasing purchasing power of their income.

(5) GENDER OF THE HOUSEHOLD HEAD Our study found that 16.8 per cent of households were female-headed, and within this category 31.7 per cent are deemed to be poor; that is, three in every ten female-headed households are poor (of the total sample 5.5 per cent are poor female-headed households). On the other hand, 83.2 per cent of households are headed by males, and of these 18.6 per cent are considered to be in poverty, i.e. one out of every five male-headed households is poor. Overall, these results indicate that the poverty situation is more acute for women.

(6) EDUCATION LEVEL OF THE HOUSEHOLD HEAD Our investigation shows the importance of education for the study of poverty, as 65.5 per cent of poor households are headed by individuals who have not gone beyond the primary level of education. In the sample, 25.6 per cent of household heads have no education, half of whom are in rural areas. Paradoxically, the study showed that some heads of poor households have a university education (8 in 500 households). This corresponds to evidence that nationally 4 per cent of university degree holders are unemployed (see Figure 13.5 and Table 13.8).

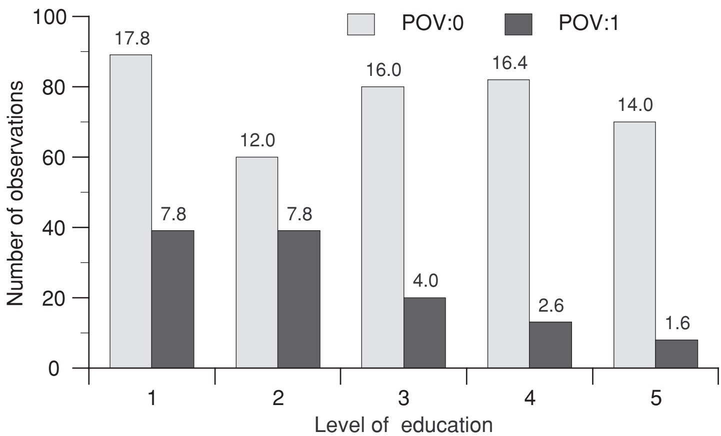

Figure 13.5 Level of education

TABLE 13.8 Education level of the household head

Type	Number	Cumulated	%	% cumulated
No education	128	128	25.6	25.6
Primary	99	227	19.8	45.4
Intermediate	100	327	20.0	65.4
Secondary	95	422	19.0	84.4
University	78	500	15.6	100

(7) TYPE OF HOUSING Of the surveyed households, 12 per cent live in precarious dwellings, while 43.2 per cent live in individual houses or villas as shown in Table 13.9.

TABLE 13.9 Type of housing

Type	Number	%
Individual house/villa	216	43.2
Rented accommodation	104	20.8
Shared building	120	24.0
Precarious dwelling	60	12.0

Among poor households, 30.25 per cent live in precarious dwellings (36 households out of 119), and 31 per cent live in rented accommodation. The proportion of poor households living in precarious urban dwellings is nearly the same as that of poor households living in precarious rural dwellings (3.8 and 3.4 per cent respectively). Thus, the type of housing, on its own, cannot account for poverty levels.

(8) FOOD BUDGET Whatever the household status, poor or not-poor, Table 13.10 shows paradoxically that the majority of households spend less than 30 per cent of their budgets on red or white meat and fish. This means that income is not the main factor in determining protein intake within the household, even though Algerians are basically cereal consumers.

(9) RESULTS OF THE MODEL The model is very significant at a global level since the probability related to the test of $\chi 2$ is extremely low in both urban and rural areas. The odds ratio gives us an indication of the probability of the household becoming poor (see Table 13.11).

In this case, the values of the odds ratio that are less than one imply that

TABLE 13.10 Percentage of budget devoted to red and white meat consumption

Classes en (%)	Number	Cumulated	%	% Cumulated
0 <x <= 10	73	73	14.6	14.6
10 <x<= 20	230	303	46	60.6
20<x<= 30	138	441	27.6	88.2
30 <x<= 40	40	481	8	96.2
40 <x<= 50	18	499	3.6	99.8
50 <x<= 60	0	499	0	99.8
60 <x<= 70	0	499	0	99.8
70 <x<= 80	1	500	0.2	100

the values of independent variables are associated with a fall in the probability of the household becoming poor. Generally, the values of the odds ratio that are more than one imply that the variable increases the probability; the results obtained show some similarity between the two models. The estimated signs of the coefficient point to the following:

- In both urban and rural areas, the probability of becoming (being) poor increases with the number of persons within the household.
- In rural areas, schooling of children increases poverty.
- Living in precarious dwellings increases poverty in rural areas.
- In urban areas the poor live in distinct types of housing.
- A household living in a rural area is more likely to be poor even though it has piped water.

TABLE 13.11 Estimated parameter values

Variables	Rural areas			Urban areas		
	Logit estimate	Odds ratio	Probit estimate	Logit estimate	Odds ratio	Probit estimate
Constant	-1.559	*0.210*	-1.000	15.388	*4817511*	2.765
No. of observations	191		191	309		309
Final loss	69.9199507		69.349518	71.265361		70.641583
Chi 2	93		94.141	94.53044		95.77799
P Level	0.0000027		0.0000019	0.0000017		0.0000011
FD	39		39	39		39
Nb.0		134 (70.16%)		251 (81.23 %)		
Nb.1		57 (29.84 %)		58 (18.77 %)		

- In rural areas, a household headed by a woman has a stronger probability of becoming poor than a household headed by a man (0.944 against 0.246).
- The sample reveals that in rural areas households whose heads work in industry, agriculture or as artisans have a strong probability of becoming poor. Households whose heads work as artisans in urban areas have a low probability of becoming poor.
- In rural areas, households with heads having secondary and higher education levels have a lower probability of falling into poverty. Whereas in urban areas, the education level of the household head does not necessarily help to distinguish between the poor and the non-poor.
- As far as health is concerned, the health status of the household head is not a determinant factor in classifying the poor and the non-poor.
- Theoretically we would expect that strong solidarity among family members, kin and friends tends to reduce the probability of poverty. As far as social links within families and between families are concerned, however, the logistic regression shows that these links do not necessarily decrease the probability of falling into poverty. It should be noted that such links are not always a basis for solidarity and cooperation. In urban areas, however, contact with kin and friends is very helpful in lowering the probability of being poor.

Conclusion

Stabilization and adjustment policies undertaken in Algeria, with the assistance of the International Monetary Fund (IMF) and the World Bank, have resulted in decreased growth, rising inflation and increasing levels of poverty. Unemployment increased, social indicators worsened and income distribution deteriorated.

Owing to the large share of the public sector and the generalized subsidies system in Algeria, stabilization and adjustment policies led to higher poverty and income distribution disparities than those witnessed in some other countries that also implemented structural adjustment programmes.

The social safety net (the Solidarity Basic Allowance and the Allowance for Community Work) has proved to be inefficient in significantly reducing poverty, both in its magnitude and its coverage.

The multi-topic survey conducted and the analysis carried out (by using the logit-probit model based on a non-linear regression) point to the following: first, increasing poverty in rural areas; second, the importance of factors other than income in determining living condition (education, gender and characteristics inherent to society); and finally, power inequalities within households and their negative impact on the distribution of income.

Notes

1 For concepts and measures of poverty, the bulk of economic knowledge is found in Sen (1976, 1981a, 1981b, 1985, 1989, 2001), Foster et al. (1984), Atkinson (1970, 1987), Atkinson and Bourguignon (1999), Bourguignon and Chakravarty (1999).

2 The strategy is due to be implemented at two levels, central and local government. At the level of central government, the strategy involves the launch of communitarian programmes, based on the experience of the five pilot projects, the evaluation of all policies, strategies and laws related to poverty reduction, and the overall impact of the five national programmes: an agriculture diversification and productivity programme; a youth training programme; a housing programme; a micro credit programme for the poor; and healthcare. At the local level, the strategy involves the execution and follow-up of the five national programmes overseen by the *wali* (governor) at the *wilaya* level and commune president (mayor) at the commune level. The implementation of the pilot projects will be overseen by the Ministry of Solidarity.

3 The upper poverty line is estimated at AD18,191 per capita per year, while the lower poverty line is estimated at AD14,827 by the ONS (Office National des Statistiques).

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14 | Concluding commentary: poverty in the Mediterranean region – applying a human rights strategy

PETER TOWNSEND

This book symbolizes a fresh approach to the acknowledged problem of world poverty by concentrating attention on a special geographic region that illustrates all gradations from extreme wealth to extreme poverty. The gravity of the problem has been recognized internationally for more than two decades, and its resolution is foremost among the eight Millennium Development Goals (MDGs) adopted by the United Nations. Latterly the problem has been put into stark relief by the scale of impoverishment around the Indian Ocean in the wake of the tsunami disaster. Yet progress in reaching the MDGs has been slow and, according to a number of authorities, the prospects of achieving substantial success by 2015 virtually non-existent (Brown and Wolfensohn 2004; Robinson 2003; Vandemoortele forthcoming).

Compilations of evidence from recent years by the World Bank, the UN itself, the UNDP and others (Townsend and Gordon 2002) substantiate this cautionary tale. There are two principal reasons for concern. The first is that no scientific or political consensus has yet been reached about the exact definition, and therefore measurement, of the concept of poverty. This means that exact comparisons between different countries regarding the severity of their condition – and in this book the countries bordering the Mediterranean which display an extraordinary range of conditions – cannot be drawn; and therefore that strategic and policy priorities for international agencies and national governments cannot be demonstrable as well as discernible. The seeds of doubt about anti-poverty action are often sown and watered by the absence of a mutually agreed definition or measure. This undermines confidence in the measures that are proclaimed. Blame of other countries or status groups is freely apportioned without consciousness of self-interest. In its likely effects the kind of action taken is ambiguous at best, and tends to reinforce the status quo. Despite universal agreement about the intensification of the global market and of associated international interrelationships and institutions, the individual, local and national causes of poverty are still accorded exaggerated credence.

This is illustrated by the separation of the definition, study and measurement of poverty in the First and the Third Worlds, the preoccupation with individual, community and local factors in the 'transmission of poverty between the generations', and the failure to relate national poverty either to the international context or to overall social or political stratification. Regional initiatives can of course prepare the way for wider international agreement. In this chapter I will review the originality of this book in contributing to that idea. I will go on to argue that realistic hopes of diminishing world poverty, and in particular poverty due to civil conflict and war, rest on a more active application of the instruments of human rights – as illustrated by assessment of conditions in the countries bordering the Mediterranean.

Establishing an international baseline

So if this book begins the task of awakening the world to the importance of reaching a scientific consensus about definition and measurement, as I believe it could, that would be a job well done. At the start of the book the editors, Maria Petmesidou and Christos Papatheodorou, call for 'coordinated research and analysis'. This is necessary 'to stimulate comparative investigation of poverty phenomena and trends in a geographic area that has scarcely been examined as a unit of analysis'. The nearest that we currently get to an agreed international usage is the World Bank's dollar a day per person and the European Union's 50 or 60 per cent of median household income. Both are objects of easy criticism. They are not subject to verifiable objective evidence independent of level of income, even if they are convenient measures to apply.

The dollar-a-day definition of poverty was an acceptable improvisation at the end of the 1980s as a convenient and understandable temporary standard on which to base investigation and policy. But two mistakes were made in keeping that standard in place for two decades and have made it an anachronism. One mistake was to take 1985 as the base year, and not to foresee that changes in the markets, and especially the division between what is free or subsidized and what has to be paid for, and changes in fulfilling individual roles at work, in family and society, with consequences for nutritional and dietary requirements, as well as other consumables and services, necessarily affect the threshold of income required to meet minimum human needs. The changes may not be consequential in a period of two or three years, but after five, ten or fifteen may be substantial. Like the social effects of global warming, the threshold of risk may have to be revised when there have been unanticipated changes in conditions.

Upholding the dollar-a-day standard has also become tenuous with the adoption of $2 a day as a standard for some countries, and then $4 a day as a standard for the transitional economies of the former Soviet Union and eastern Europe (World Bank 2000). When these standards are not subsequently explained, and thereby justified, in relation to levels of material and social deprivation, it becomes difficult to contradict charges of arbitrary discrimination between countries.

The second mistake of the World Bank was to state in 1990 that the correct measure of poverty had two necessary elements but, after introducing the simplest practicable measure of a dollar a day to cover the first element, to fail to explore how the second element could be added. Thus, in the 1990 *World Development Report*, the World Bank defined poverty as 'the inability to attain a minimal standard of living'. This minimal standard consisted of 'two elements: the expenditure necessary to buy a minimum standard of nutrition and other basic necessities and a further amount that varies from country to country, reflecting the cost of participating in the everyday life of society' (World Bank 1990: 26). During the subsequent fifteen years a programme of research and investigation to enable international agencies and governments alike to implement different models of the twofold objective originally agreed could have been followed to find which model best satisfied governments and scientists. Various observers have pointed out that 'participation' in the everyday life of society is not just a matter of falling in with social customs and activities, but of fulfilling the obligations in serving the different roles of worker, parent, neighbour, friend, consumer, carer and so on that govern the scale of resources, and also the level of food and of other basic necessities of life, required.

The preceding chapters illustrate the problem. On the one hand they call attention to the range of previous investigative work that is an essential part of the region's history and structural identity. This helps to explain differences in approach to the establishment of national poverty standards. But it also shows the need to identify what differences of standard are implied when new international usages, such as the World Bank's $2-a-day standard, are advised, or imposed. In short, there is a problem of investigative compatibility, which both sides must recognize and treat with sensitivity if joint goals are to be served rather than ignored or treated condescendingly.

On the other hand, the comparisons made (as in Chapter 2 by Christos Papatheodorou and Maria Petmesidou for the southern EU member states, and in Chapter 7 by Ivo Bićanić and Vojmir Franičević, for the Balkan countries bordering the Mediterranean), and the juxtaposition of accounts from different individual countries show the need for an objective or scientific core meaning of poverty for every country composing the region, and the development, through new survey research, of truly cross-national social and economic indicators. This is possible by measuring objectively different types of material and social deprivation and then looking at the correlation between multiple deprivation and a threshold of income.

Variations in the scale of poverty

The countries that border the Mediterranean straddle three regions of the world and include developing and industrialized countries that are seldom examined together. This explains the particular value of this book. Despite having much in common, the countries vary greatly in the extent and severity of poverty that they have experienced historically and experience today. In Chapter 1, Maria Petmesidou and Christos Papatheodorou have divided the countries into three principal groups. Among the countries of southern Europe the four member states of the European Union (EU), Italy, Spain, Portugal and Greece, have little poverty, by the standard of $2 per person per day, but among non-member states of southern Europe, such as Bulgaria, Macedonia, Romania and Albania, there is a significant or substantial extent. In the third group of Middle Eastern and North African countries poverty, by the same standard, averages 23 per cent, and in some countries, such as Egypt, Yemen and Mauritania, is far more extensive. Tables 14.1 and 14.2 provide a summary of data presented earlier by Petmesidou and Papatheodorou. During the 1980s there was a substantial percentage reduction in poverty, but in the next decade it rose again to the figures of the mid-1980s, and overall in the two decades there was an increase of some 18 million in the number of those in poverty.

TABLE 14.1 Poverty in Middle Eastern and North African countries

Year	Per cent below $2 per day at 1993 PPP	Number in population below $2 per day (million)
1981	28.9	51.9
1984	25.2	49.8
1987	24.2	52.5
1990	21.4	50.9
1993	20.2	51.8
1996	22.3	60.9
1999	24.3	70.4
2001	23.2	69.8

Source: World Bank 2004.

Some of the latest results for the second group of countries – the Balkan countries – are disturbing. Poverty is substantial and in some countries

TABLE 14. 2 Poverty and other social indicators in Middle Eastern and North African countries

Country	Expected yrs of life at birth (2002)	% under-nourished (1999–2001)	% of children under 5 underweight (1995–2000)	% lacking access to sanitation facilities	% under $2 a day*	% under national poverty line*
Mauritania	52.3	10	32	67	68.7	46.3
Sudan	55.5	21	17	38	…	…
Yemen	59.8	33	46	62	45.2	41.8
Morocco	68.5	7	9	32	14.3	19.0
Egypt	68.6	4	11	2	43.9	16.7
Algeria	69.5	6	6	8	15.1	22.6
Iran	70.1	5	11	17	7.3	…
Turkey	70.4	…	8	10	10.3	…
Jordan	70.9	6	5	1	7.4	11.7
Syria	72	4	7	10	…	…
Saudi Arabia	72.1	3	14	0	…	…
Occ. Palestinian territories	72.3	…	4	0	…	…
Libya	72.6	…	5	3	…	…
Tunisia	72.7	…	4	16	10.0	7.6
Lebanon	73.5	3	3	1	…	…

* The examples given are for the latest available year (in the range 1995–2002).

Sources: Cols 2–5, see Chapter 1, pp. 6–7; cols 6 and 7, see Chapter 1, pp. 22–3.

TABLE 14.3 Poverty in the ex-communist Balkan countries

Country	Year	Per cent below $2 per day	Per cent below national poverty line
Albania	2002	25.4	25.4 ($60 a month)
Romania	2001	29.6	16.8 (60% of average income)
Bosnia-Herzegovina	2002	24.5	19.5
Serbia-Montenegro	2002	11.0*	na
Bulgaria	2001	23.7	12.8
Macedonia	1998–2000	4.0	20.0 ($75 per month)
Croatia	2000	< 2.0	na

* For Serbia 20.0 per cent ($2.9 a day) but the rate excludes many refugees, internally displaced persons and Roma gypsies. *Source*: UNDP 2003.

has deepened in the aftermath of the collapse of the Soviet Union. Table 14.3 shows that in most countries (except Macedonia, Croatia and Serbia-Montenegro) poverty as measured in terms of $2 per person per day applies to between a fifth and over a quarter of the population. By nationally measured standards the scale of poverty is the same, or smaller, though higher in Macedonia. Poverty is particularly prevalent because traditional measures to reduce poverty in those countries have been abandoned rather than used as a building block or object lesson in constructing society in a different world.

In the early chapters of this book the editors enlarge on the distinct histories and fortunes of the three groups of countries. The early chapters also reveal that compared with other European transition economies the second group – the Balkan transition countries – experienced larger increases in poverty and inequality (see, e.g., Neri et al. 2004) and rapid deterioration of some features of economic and social well-being. While life expectancy is relatively high, most countries betray a marked extent of undernourishment and high levels of unemployment.

The experience of the first group of countries is also instructive for the Mediterranean countries as a whole – because their membership of a regional association, the EU, has prompted an advance towards prosperity as well as social stability.

Where poverty is most severe: the case of Egypt

The third group of Middle Eastern and North African countries (MENA) must be given the most urgent attention. In comparing development across countries surrounding the Mediterranean and looking, in particular, at the extent and severity of poverty, this is the group of countries that provokes particular concern, as well as very mixed results in relation to poverty. This is not the place for systematic analysis, but only for three illustrations that suggest how concluding observations about international and national social development policies in the Mediterranean region might be newly shaped and better concerted.

One country with a very high rate of poverty, by any standard, is Egypt. The history of poverty research in Egypt is extensive. In a 1996 report, Korayem showed that three definitions – the basic needs approach, the relative income definition and the government's indirect definition (that is, a threshold of income below which individuals were treated as eligible for social assistance) – had been applied in a range of studies published from 1977 to 1994. A subjective definition of poverty had also been applied, though on a very small scale.

While there appear to have been marked trends in particular periods – for example, different authors trace a decline in poverty from 1974–75 to 1981–82, there is clear agreement that rural poverty has been, and remains, very high. For 1974–75 estimates range from 51 per cent to 61 per cent, and for 1990–91 from 21 per cent to 54 per cent (Korayem 1996: 193). Extreme poverty (near to starvation) in rural households in 1990–91 was estimated to be between 5 and 9 per cent by two sources but to be 22 per cent by a third (ibid: 194).

Interpretations of the effects on poverty in Egypt of structural adjustment programmes, like those in many parts of Africa (see, in particular, Kanji 2002 and Donkor 2002), are diverse. Generally, the advocates of such programmes are positive about their long-term effects, even though these are impossible to measure, and they are defensively positive about the short-term effects, on the grounds that ameliorative social measures are enough to negate any ill effects. But there remains little explanation of why such programmes were launched at all without putting into place social protection measures or showing why developing countries had to follow a different course from that taken in the nineteenth century by newly industrializing countries that are now rich – presuming to establish universal and pro-poor labour conditions and welfare programmes.

The main components of the structural adjustment and stabilization policies in Egypt were currency devaluation, liberalization of international trade, raising the price of utilities, reducing subsidies, and applying tight monetary and fiscal policies. After these programmes were introduced the large-scale protests that ensued eventually resulted in agreement that the poor would be bound to suffer and that the social costs had to be minimized. But the elements of the World Bank/IMF poverty alleviation strategy were inadequate, and perceived in Egypt to be inadequate. An alternative adjustment package was proposed – to increase the access of the poor to productive employment and assets, to invest in human capital, to promote the productive potential of the poor (by investment in education, training and health) and to begin establishing welfare measures through transfer payments and subsidies (Korayem 1996: 203). For a number of the poorer Mediterranean countries this experience offers a model upon which more effective anti-poverty measures might be built.

Where poverty is most severe: the case of Palestine

In certain respects the Palestinian territories offer different, or additional, causes for a high rate of poverty. The consequences of protracted conflict, combined with the difficulties of setting up sustainable local and national forms of employment and minimal labour rights, account for a large share of experienced poverty. To the existing problems of economic development and growth have been added processes of material and social impoverishment. There have been imaginative improvisations to allay poverty. Substantial unemployment and irregular opportunities for paid employment have led to the strengthening of informal sector improvisations. In a reliable household survey about 16 per cent of rural workers were found to be in the informal sector. Contrary to expectations, these included proportionally more men than women (Daghra and Al Saleh 2004).

A National Poverty Eradication Commission was established in 1997 and reported in 1998. A 'deep' poverty line reflecting absolute basic necessities, together with a 'relative' poverty line covering a broader range of necessities, including healthcare, education and housekeeping supplies, was formulated. The number of all households in Palestinian areas living below the relative poverty line declined slowly from 24 per cent in 1996 and 23 per cent in 1997 to 20 per cent in 1998, but then 'jumped to nearly three times that of its pre-September 2000 figure, that is, 60 per cent' (see Chapter 10). 'Deep' poverty accounted for more than half of those in relative poverty. Before the Intifada of September 2000 the decline in poverty had continued – because of 'the decline in unemployment rates resulting from an easing of closures by Israel on Palestinian areas, the increase in the employment opportunities in the Palestinian labour market and an increase in the average daily wage'. Severe restrictions on Palestinian labour, together with curfews and restriction of the movement of goods and people, preceded the Second Intifada of 2002. Research in different areas showed conditions rapidly becoming worse. A World Bank report of February 2003 found that some 60 per cent of the population in the West Bank and the Gaza Strip were living below a poverty line of $2 per day. The number of poor tripled from 637,000 in 2000 to 2 million at the end of 2002 (Chapter 10; and see also research into new forms of social exclusion, e.g. Abdalrahman 2004). The Palestinian economy had been dependent on the Israeli economy but then became completely dominated – through political, economic and administrative restrictions, including military orders. Social cohesion was hard to foster under a policy of divide and rule, and skilful improvisations to engineer prosperity were obstructed.

What is distinctive about the Palestine case, illustrated in Chapter 10, is the relatively successful tracking from year to year of economic and social conditions during civil conflict, and the combination of good internal and external research testimony about the entire situation and the causes of the deterioration of living conditions. Chapter 10 is therefore a model of what can be built upon elsewhere (which is also constructively matched by Sylvia Haladjian-Henriksen's Chapter 11 on Lebanon) in explaining poverty around the Mediterranean and beginning to construct regional solutions. As we will see, these models lead directly to a different appreciation of the scope and nature of anti-poverty policies.

These models act both as reminder of the need to trace the ebb and flow of severe poverty across the world and of the underpinning 'preventative' and not merely 'curative' requirements of anti-poverty policy.

Mediterranean policies to restrict poverty: the case of Israel

Egypt and the Palestine territories provide two different examples of severe poverty in a poor country, combined with impoverishment because of conflict. Israel is a very different third example of regional development among the Middle East and North African countries. Between 1948 and 1952 the population of Israel tripled. During that time the framework of welfare legislation began to be put in place. In 1953 the National Insurance Law was enacted. The aim was to eliminate poverty and ensure general well-being by means of wage and salary equity, progressive taxation, subsidies of basic consumption items and social insurance (Doron and Kramer 1991; Bar-Yosef 1996). A social transfer system on the lines of the schemes developed in many European countries came into being – as illustrated below in Table 14.5. In these years collective values were strong, and for long periods a Labour government was in power. This was a time when the kibbutz movement became very strong (Talmon 1972). The list of transfer payments developed by government in those early years contains universal or categorical items – child allowance, maternity, old age, survivors', unemployment and other payments – and selective items – means-linked guaranteed income maintenance and housing subsidies. As a consequence, the transfers reduced poverty by nearly half. Nevertheless, in 1992 17 per cent of individuals were found to be below the defined poverty line of 50 per cent of median income.

Although the Israeli poverty line reflects European practice and has come under repeated critical assessment, including examination of alternative options, as Jacques Silber and Michael Sorin illustrate in detail in Chapter 9, the numbers estimated to be in poverty are certainly high by European standards and appear to have grown (see also Alfandari 2004).

The reasons given for continuing poverty are instability because of conflict, discontinuous forms of employment, dependence on arms and other imports and growing inequality. The cost of the strategy followed during the 1990s and 2000s is now being impressed upon Israeli and world public opinion. Thus, a 2005 report by the Adva Centre in Tel Aviv, commissioned by Oxfam, concludes: 'The second intifada has hurt Israel deeply, resulting in a cessation of economic growth, in a lowering of the standard of living, in the debilitating of its social services, in the dilution of its safety net, and in an increase in the extent and depth of poverty' (McGreal 2005b, 2005a).

Lessons for the resolution of Mediterranean poverty

The illustrations I have given for the three countries above and the valuable analysis generally provided by other authors in this book convey at least three major lessons of the review of poverty in the Mediterranean region – that there has to be 1) stronger regional organization, together with collaborative economic and social development; 2) larger, and better systematized, redistribution of resources internationally and nationally; and 3) an extension of anti-poverty policies to countries drastically impoverished by conflict and other disasters. All three strands of argument gain from being placed within the framework of analysis of human rights. These three are spelt out below.

(1) *Regional and political association and human rights* The representation of the four southern European EU member countries, according to a variety of economic and social indicators, places them among the high-income, high-human-development group of countries in the world and this differentiates them from most, if not all, of the countries in the rest of the region. This favourable position must, in part, be attributed to the convergence policies of the EU, though this cannot be explored here. Again, the idea raised in this book of Mediterranean 'regionalization' must attract systematic exposition of the history in the last half-century of the membership of the so-called Latin Rim countries in the EU and the tentative Euro-Mediterranean Partnership (EMP) launched in Barcelona in

1995 (Pace et al. 2004; O'Connor 2003). The problems countries experience in dealing with poverty, as illustrated for all three groups in earlier pages, plainly invites action regionally to extend the Barcelona process while relating that process to EU enlargement and the mutual economic and social interests of countries bordering the Mediterranean.

The recent and the proposed future stages of the enlargement of the EU have implications for the resolution of poverty throughout the Mediterranean region. Because of their history, both as national states and as member states, the countries of the EU are unlikely to dismantle the redistributive social transfer schemes that have greatly reduced poverty and enhanced social stability in the past. Some of the member states have demonstrated that higher economic growth is sustainable with continuing heavy investment in basic social services and welfare benefits. The data in Table 14.5 testify to the significance of such investment in the high- and middle-income countries.

The extension of such familiar anti-poverty measures to Mediterranean countries judged likely to join the EU, such as Turkey, as well as to others in North Africa that are unlikely to join, must be regarded as a distinct as well as desirable prospect – especially if the countries strengthen their own regional affiliation independently, as well as in relation to the EU. The evidence presented earlier about the failure of liberalization and, in particular, of the by-products of that process, such as the structural adjustment programmes designed to ameliorate poverty, provide grounds for adopting an alternative policy model in tackling severe poverty. This model would be one introducing substantial redistributive social services and social security, complemented by public employment creation schemes and, through regional association and international development programmes, much higher levels of overseas aid.

The criticism of the existing model, and the need for a different model, is illustrated for Algeria by Abderrezak Benhabib, Tahar Ziani and Samir Baha-Eddine Maliki (Chapter 13), and for Morocco by Mina Baliamoune-Lutz (Chapter 12), as well as for the Palestinian Authority by Jamil Hilal (Chapter 10), for the Lebanon by Sylvia Haladjian-Henriksen (Chapter 11) and for Turkey by Sibel Kalaycioğlu (Chapter 8). For Europe, the Community Charter and the Maastricht Treaty avowed commitment to social policy within the EU, as did the fuller statement in the subsequent White Paper on *European Social Policy: A Way Forward for the Union*. The core values that were shared by all members of the Union included 'Democracy and individual rights, free collective bargaining, the market economy, equal opportunity for all and social welfare and solidarity' (European Commission 1999). Minimum standards were needed for the cohesion of the Union, along with high levels of employment and the European Social Model to underpin the process of change (see also O'Connor 2003).

A stream of reports on the creation of employment has been issued, and the Union has sought to foster internal economic prosperity. In active debate certain themes have continued to attract support. They include greater efforts to develop a job replacement and creation strategy in both public and private sectors; an expansion strategy for small businesses; a basic income strategy to bring together a minimum wage and a minimum level of benefit in coordinated form; and an NGO strategy to promote volunteer public service and environmental conservation, and improvement activities for particular groups of the population (Townsend 1998: 23).

Overseas aid has also been a policy priority in the Union. Four of the EU countries are the only countries in the world to have satisfied the agreement after the second world war to devote 0.7 per cent of GDP to overseas aid. There are proposals to increase the EU target to a flat 1 per cent of GDP (Atkinson 2002).

The modernization of the European Social Model lies at the heart of the social action programme adopted by the European Commission in 2000 for the years 2000–05. It builds on the Treaty of Amsterdam and the Luxembourg employment process. It also emphasizes the role of social policy and social security as a productive factor (O'Connor 2003: 9; European Commission 1999; and see also Goodin et al. 1999, for an example of the cross-national evidence showing that countries spending the highest percentage of GDP on social transfers also enjoy the highest long-term levels of economic growth, while scoring well on other economic performance indicators).

(2a) *The right to social security: a Mediterranean policy?* What therefore might be the terms upon which an economic and social development strategy designed to defeat poverty might emerge from an organized regional association of countries encircling the Mediterranean? In this concluding chapter one element of that strategy is singled out. For each of the three groups of countries identified by Petmesidou and Papatheodorou (Chapters 1 and 2) there is a common theme of access, or access denied, to social security and to basic social services, in explaining a large part of the severity of poverty experienced. Thus, as carefully formulated in the statistics set out in Chapter 2, the four southern European member states of the EU – Italy, Spain, Greece and Portugal – successfully reduced their inequality in the distribution of gross income through elaborate systems of social transfer. Table 14.4 gives a summary of measured reduction of income inequality, together with the poverty rate before and after social transfers.

TABLE 14.4 Decline in overall inequality brought about by pensions and other social transfers, measured by the Gini index, and percentage of population in poverty, before and after transfers (2001)

Country	% decrease in inequality	% in poverty before transfers	% in poverty after transfers
Italy	- 46.3	50.2	19.1
Greece	- 36.6	47.5	21.8
Spain	- 35.6	43.5	17.2
Portugal	- 28.4	42.5	20.8

Note: Poverty defined in accordance with the EU convention of 60 per cent of median equivalized household income
Source: Chapter 2, Tables 2.3 and 2.4.

The second group of countries – the Balkan countries – has social transfer systems that are both residual and embryonic – being the combined result of impoverishment and conflict after 1989 and slow progress towards the establishment or re-establishment of sufficient social transfers to greatly reduce the current poverty of large sections of the population, particularly those incapable of paid employment, but also those in part-time, temporary and low-paid employment.

In contrast to the first two groups the third group of countries (MENA) appear to have meagre and patchy social transfer schemes. The problem is discussed below.

(2b) *The right to social security: current developments* Generally in the Mediterranean there are examples of very weak but also reasonably well-developed social transfer systems. The ILO has for many years played a leading role in reviewing developments in social security (e.g. ILO 1984, 2001). The organization reported in 2001 that policies and initiatives that can bring social security to those who are not covered by existing systems were 'of the highest priority' (ILO 2001: 2). This meant necessary movement away from the informal economy and active promotion of employment programmes in countries with high rates of unemployment. There was little coordination of international and national anti-poverty policies. The problem of low coverage had 'taken a dramatic turn for the worse, as an increasing proportion of the urban labour force is working in the informal economy, inter alia as a result of structural adjustment' (ibid.: 57–8). 'The long-term challenge in social protection financing is global as well as national. If global economic players are allowed to undermine seriously the power of the nation State to levy taxes and social security contributions, then social security, which achieved such progress in the twentieth century, will face great uncertainties in the twenty-first. Governments must work together to preserve their sovereignty in these crucial areas' (ibid.: 93).

There were four ways to extend social security:

- extend social insurance schemes;
- encourage micro-insurance ;
- introduce universal benefits or services financed from general state revenues;
- establish or extend means-tested benefits or services, also financed from general state revenue. (ibid.: 60)

There is a mixed story to tell about developments (Ghai 2001). The potentialities for middle-income and low-income countries have been discussed lately by van Ginneken, in his report for the ILO (ILO and van Ginneken 2003). There are many countries in Africa, Asia and Latin America where universal social protection, as measured by percentage of GDP, has been going backwards. There are, of course, a number of countries breaking up as a result of conflict, as we have seen in this book, and where social security benefits have been suspended or become fitful. There are the transition economies of south-eastern Europe after the collapse of the Soviet Union, some having systems of social security that were gravely weakened by runaway inflation after 1989 and then prevented from being restored as a consequence of strategies of reduced public expenditure and privatization imposed or strongly advocated by the IMF and the World Bank (UNDP 1998; Atal 1999; Braithwaite et al. 2000). And there are struggling poor countries in Africa and elsewhere with tiny expenditures on social security.

Table 14.5 summarizes total expenditure on social security by individual countries, expressed as a percentage of GDP, listing the Mediterranean countries considered in this book, together with selected examples of other countries that are included for purposes of comparison. The table illustrates the sharp difference between the richest industrialized countries and both middle-income and low-income countries. Despite retrenchment by some countries in recent years, spending on public social security and services in the high-income countries has continued, on average, to grow. At similar levels of GDP there remain wide differences in the commitment to the social security of countries (with established outcomes for the numbers in poverty whether assessed nationally or internationally).

There are examples of poor countries that are engaged in the rapid development of systems of social security. The two main types of social security in China are social assistance and social insurance. While currently schemes 'are either confined to urban or rural residents; as yet, there are

TABLE 14.5 Total public social security expenditure (including pensions and healthcare) as percentage of GDP, selected countries (Mediterranean countries in italic) 1996

	Countries	Total	Pensions	Healthcare
High	Sweden	34.7	13.8	6.1
	Denmark	33.0	9.6	5.2
	Finland	32.3	13.2	5.4
	France	30.1	13.3	8.0
	Germany	29.7	12.4	8.3
	Norway	28.5	8.9	7.0
	Netherlands	26.7	11.4	6.8
	Austria	26.2	14.9	5.8
	Israel	24.1	5.9	2.7
	Italy	23.7	15.0	5.4
	UK	22.8	10.2	5.7
	Greece	22.7	11.7	4.5
	Croatia	22.3	8.2	7.2
	Spain	22.0	10.9	5.8
Middling	*Portugal*	19.0	9.9	5.0
	Canada	17.7	5.4	6.6
	United States	16.5	7.2	7.6
	Australia	15.7	4.6	5.7
	Japan	14.1	6.8	5.6
	Bulgaria	13.2	7.1	3.3
	Romania	12.4	6.8	2.9
	Brazil	12.2	2.4	2.1
	Chile	11.3	5.9	2.3
	Albania	10.9	5.7	2.4
Low	*Jordan*	8.9	0.5	2.9
	Tunisia	7.7	2.3	2.2
	Algeria	7.6	3.3	3.4
	Turkey	7.1	3.8	2.3
	Egypt	5.4	2.3	0.9
	Sri Lanka	4.7	2.4	1.5
	Ethiopia	3.7	0.9	1.0
	China	3.6	1.5	2.1
	Morocco	3.4	0.5	1.0
	India	2.6	...	0.9
	Kenya	2.6	0.3	1.7
	Ghana	2.2	1.1	1.0
	Ecuador	2.2	1.2	0.3
	Indonesia	1.7	0.0	0.6
	Mauritania	0.8	0.2	...
	Myanmar	0.7	...	0.5

Source: Adapted from ILO (2001: Statistical Annex).

none that cover the whole population. This will change as the Minimum Living Standard Insurance, which, at present, is largely confined to the urban population, is extended to cover the whole rural population' (Hussain 2004: 2; see also Hussain 2002). This social security scheme was instituted as a national scheme in all cities in 1998 and intended for all urban residents with an income below the local poverty line, on test of means. In giving attention to precedents with experimental or staged programmes aiming for comprehensive coverage, examples might be given for Costa Rica, Vietnam, South Africa, Brazil, Mexico and Colombia (ILO and van Ginneken 2003; Townsend 2004).

(2c) *The right to social security: the lessons of history* Universal protection against the risks of sickness, injury or disablement, unemployment and old age became a high priority for many governments in the war of 1939–45 and the early post-war years. This waned from the late 1970s into the 1980s and 1990s but is now being contemplated seriously by a number of governments. Universalism – partly because of continuing developments in human rights – is back in fashion. The history should be briefly recalled. Keynes was effectively Britain's chief negotiator at the UN at the time of its establishment and he was also a strong advocate of comprehensive social security (Townsend 2004). The United States had enacted a Social Security Act in 1935 and its scheme attracted wide interest when it began operation shortly before the country entered the war in 1941. It is not surprising that a right to social security was included in the Declaration of Human Rights and later in the International Covenant and the Convention of the Rights of the Child. European countries were foremost in implementing measures for a 'welfare' state. Long before the US scheme was enacted most of Europe had anticipated the need. Universal public provision against the risks of social insecurity, as well as for education, health and other services, had become common. The development during the first half of the twentieth century came to be known as the arrival of 'the welfare state'. Many provisions applied to civil and political rights, and also, at least for high-income countries, social and economic rights.

From the late nineteenth century social security evolved rapidly as a necessary correction to the more exploitative features of industrialization and urbanization. Poverty became rife in the colonial countries, and universal public health, education and insurance systems were introduced. The acceleration of this process and the establishment of interlocking social institutions were regarded in the industrialized countries as an achievement of the first magnitude. Inevitably, there were repercussions in the developing countries, and especially those that remained colonized

TABLE 14.6 The rights to social security and an adequate standard of living

Authority	Social security	Adequate living standard
Convention on the Rights of the Child (1989)	Article 26 (I) – States parties shall recognize for every child the right to benefit from social security, including social insurance, and shall take the necessary measures to achieve the full realization of this right in accordance with their national law.	Article 27 (I) – States parties recognize the right of every child to a standard of living adequate for the child's physical, mental, spiritual, moral and social development. Article 27 (3) – … and shall in case of need provide material assistance and support programmes, particularly with regard to nutrition, clothing and housing.
International Covenant on Economic, Social and Cultural Rights (1966 – came into force 1976)	Article 9 – The States Parties to the present Covenant recognize the right of everyone to social security, including social insurance.	Article 11 (1) – The States Parties to the present Covenant recognize the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions.
Copenhagen World Summit for Social Development (1995)*	Action Programme: 38 – Social protection systems should be based on legislation and … strengthened and expanded … to protect from poverty people who cannot work … Actions to this end should include: a) … programmes providing universal basic protection, and social security insurance programmes …	Action Programme: 8 – Equitable and non-discriminatory distribution of the benefits of growth among social groups and countries and expanded access to productive resources for people living in poverty. 35. Governments … should cooperate to meet the basic human needs of all, by a) ensuring universal access to basic social services,

	b) developing … a strategy for a gradual expansion of social protection programmes that provide social security for all … (c) ensuring that social safety nets associated with economic restructuring are considered as complementary strategies to overall poverty reduction and an increase in productive employment [and are] short term by nature … (d) exploring a variety of means for raising revenues to strengthen social protection programmes …	with particular efforts to facilitate access by people living in poverty and vulnerable groups; b) creating public awareness that the satisfaction of basic human needs is an essential element of poverty reduction: these needs are closely interrelated and comprise nutrition, health, water and sanitation, education, employment, housing and participation in cultural and social life …
Universal Declaration of Human Rights (1948)	Article 22 – Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international cooperation and in accordance with the organization and resources of each state, of the economic, social and cultural rights indispensable for their dignity and the free development of their personality.	Article 25(1) – Everyone has the right to a standard of living adequate for the health and well-being of their family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond their control.

*The 1995 Copenhagen Declaration and Programme of Action, following the World Summit for Social Development, was partly set within a human rights framework (see UN 1995: 50–55) or were obtaining independence. What has to be explained is why, in later stages of development, poorer countries were denied the transitional schemes fathered by their predecessors on the road from poverty and pre-industrialization.

Mahbub ul Haq, former Special Adviser to the UNDP, put the matter graphically:

> Foreign aid has often dominated North–South relations ... even though this aid was often marginal and misdirected. Just consider one sobering comparison. Rich nations channel an average of 15 per cent of their own GNP to their own 100 million people below a poverty line of around $5000 a year. The same nations earmark only 0.3 per cent of their GNP for poor nations which contain 1.3 billion people below an income level of $300 a year. What a telling contrast between national and international safety nets! (Haq 1995: 374)

Partly because of such demonstrable inequality the International Labour Office has taken up the agreed decision, among other agreements for action, reached by 117 governments after the World Summit for Social Development in Copenhagen in 1995, to extend universal social security (see Table 14.6). In a report for the ILO in 2003 Wouter van Ginneken stated that there was: 'an urgent need to redirect some of the national public expenditure towards the social sector, and also to find new international resources to finance basic social security for the poor in the world ... The challenge for governments, social partners and civil societies is to create such conditions that the large majority of the population contributes to basic social insurance schemes' (ILOand van Ginneken 2003: 71).

A similar review by Ghai (2001) had already indicated a similar conclusion.

(3) *Human rights at times of conflict and national impoverishment* Up to the present time, anti-poverty policies have concentrated largely on conditions in settled societies. Civil conflict and open warfare have marked countries that, for short or long periods, have resisted attempts to measure or monitor impoverishment, and the changes taking place in the living standards of different sections of population. As a consequence many countries have been set aside in the tracking of worldwide poverty.

Yet in retrospect historians have shown that large-scale and immediately reactive policies, rather than grudging and often belated gradualist small-scale policies, have been needed in crisis situations affecting millions of people. In an individual's life there are, of course, the risks of severe impoverishment – as a result of bereavement, disability, sickness, retirement and unemployment. But sudden, and catastrophically severe, impoverishment also applies to populations as a whole – as a result of economic collapse, earthquakes or tsunamis, war and civil conflict. The framework of human rights becomes practically, as well as theoretically, relevant. The large-scale preventative/casualty-alleviating model rather than the softer retrospective model in dealing with sudden, crippling poverty seems to deserve new scrutiny for its international potentialities as a better model on which to base future action.

Many events of recent decades, especially those involving civil conflict, demonstrate the need for international preventative or delaying action to minimize destructive results. Lessons have to be learned from the worst policies of recent history as well as from the well-meaning aspirations of forward-looking development plans. Current examples include histories of the extermination of Jews (e.g. Rees 2005; Steinbacher 2005); the paralysing fear and loss of life induced in East Germany under the control of the Stasi (Funder 2003); the suppression of the Mau Mau in Kenya (Anderson 2005); and the brutalization and starvation of millions in Eritrea under the dictatorship of Mengitsu Haile Mariam – which was largely ignored by the UN and the USA – the latter said to be 'sealing' itself from many atrocities (Wrong 2005). These examples are extreme, but they illustrate the value of composing models of the effects of current and potential policy on levels of severe poverty and social instability, as well as the human rights of immediate survival. For anti-poverty policies to be effectively 'responsive' the range of destructive, not just constructive, international and national social policies of the past and present have to be confronted and assessed.

Conclusion – creative use of the human rights framework

The increasing readiness on the part of countries to recognize and ratify human rights is a source of inspiration for the creation of cooperative state alliances in overcoming poverty. There are two principal reasons for such a conclusion that this book dramatically illustrates. One is that the framework of human rights offers a basis for more systematic, and coordinated and therefore more effective, anti-poverty policies, especially in countries not torn by conflict. The southern EU member states in the Mediterranean region have gone a long way in recent decades to establishing social transfer systems to reduce poverty, and yet can still gain, in new global conditions, by judicious use of comprehensive entitlement to multiple material and social welfare. Thus, the right to social security (Article 22 of the Universal Declaration as well as Article 9 of the International Covenant and Article 26 of the Convention on the Rights of the Child) is universal and therefore poses serious questions for international programmes of aid that are strictly and often confusingly conditional or selectively discriminatory, as well as narrowly targeted.

Historically, the rich countries established universal systems of social security to meet the needs of large numbers in their populations who had become sick or disabled, bereaved or elderly or otherwise were in families with dependent needs. Schemes for social assistance or voluntary insurance were often replaced by 'categorical' or comprehensive social insurance schemes covering the needs of particular groups in the population. Sometimes comprehensive coverage of certain groups – for example, children or the elderly of a particular age – was paid for through direct taxation. These systems were introduced to meet the needs of dependency and poverty. Economic and social prosperity was built partly on that basis. The systems are now elaborate and account for a substantial percentage of GDP.

These relatively prosperous countries, therefore, are ill qualified to deter poor countries from attempting to go down the same path. Their historical affiliation to comprehensive welfare, and implicitly therefore to human rights, might be more highly publicized in the Mediterranean region, as well as internationally. There are precedents at the present time of countries in other regions that are now beginning to take social security more seriously (for example, Brazil, South Africa and China), and of developing and middle-income countries steadily expanding social security as a system aiming for social stability as well as a minimum social platform on which to base economic production. In this book the Maghreb countries (Chapter 12), Algeria (Chapter 13) and Turkey (Chapter 8) offer less emphatic illustrations of such a positive strategy. Those countries spending the most on social security can also be shown to achieve above-average economic growth. Therefore, on the basis of historical and contemporary precedent, an urgent programme for the reduction of poverty might be developed for the poorest countries in the Mediterranean region (such as Egypt, illustrated in this chapter), as well as for the region as a whole.

There is a second reason for deploying the human rights framework in eliminating poverty. What this book has demonstrated is that there are acute problems of civil conflict in the region, involving countries that are often excluded from the international debate about the elimination of world poverty. Illustrations have been given for the Palestinian territories (Chapter 10) and Lebanon (Chapter 11) in particular. The problems of impoverishment as a result of conflict have been brought to the forefront in considering future international and national policies to resolve poverty. This transforms the nature of the anti-poverty strategies, and policies, that must attract priority attention. Mahbub ul Haq was one influential diplomat calling continuously for a structural move from arms security (and arms production) to human security (e.g. Haq 1995: 372).

There is, therefore, redoubled need for a preventative strategy. This would take the form of accelerated protection of human rights, including the rights to social security, an adequate standard of living, minimum nutrition, safe water, sanitation, health and education, through new cross-national measures. But it would also take the form of broader measures to prevent war as well as poverty, because today war and extensive civil conflict often generate collapse into severe poverty among the mass of the population. Pursuit of the rights to an adequate standard of living, as well as health and basic material facilities and services, will produce checks to possible conflict. But steps will also have to be taken through the articles of rights to survival and to health to diminish easy access to weapons and the production of arms and explosives that kill indiscriminately. By means of such a dual strategy the prospects of social stability, both internally and externally, can be greatly strengthened.

So, the analysis provided in this book supports four conclusions:

1. That regional initiatives are required to develop a strategic approach to anti-poverty policies in countries around the Mediterranean, drawing on the historically successful universal welfare or social transfer approaches of the Western and European countries.
2. That the human rights instruments offer the best analytical and strategic framework for action to understand and reduce poverty.
3. That the impoverishment of countries as a result of conflict can be remedied only by a combination of resolute quick reaction, stronger UN forces and longer-term, deliberate institutionalization of minimum or basic social security and social services for all.
4. That for purposes both of economic and social development the rights to an adequate standard of living, social security and fulfilment of other material and social needs to eliminate poverty have to be met by combined international and national measures to develop a system of freely available public services.

Altogether, then, this book has demonstrated that there exists a strongly established, and widely accepted, human rights framework for developing successful anti-poverty agreements among the Mediterranean countries. This framework has to be actively developed to reduce poverty more effectively in the long term but, as a matter of urgency in the short term, it needs to be used comprehensively to reduce extreme impoverishment brought about by conflict and long-institutionalized, extreme poverty.

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