Austerity has carried the day in the decade of the economic crisis. The bulk of research on recent welfare reform has highlighted how economic conditionality from the EU and the 'Troika' has constrained crisis-ridden member states into the path of cost-containment and retrenchment (Armingeon, 2013; Petmesidou and Guillén 2016 among others). Partial exceptions to this were found in countries where left-leaning, or in general anti-austerity governments mixed cutbacks and liberalisation with the expansion of some social protection programmes (Picot and Tassinari, 2017; Vesan and Ronchi, 2019). The most striking exception to welfare retrenchment was perhaps the introduction of nationwide guaranteed minimum income schemes in the two EU members that did not have any such scheme prior to the crisis: Greece and Italy. Greece introduced the Social Solidarity Income in 2017, strongly pressured by the EU. In 2018 Italy adopted the *Reddito di inclusione*, which was soon replaced by the *Reddito di cittadinanza* after a swift political shift in 2019. Equally surprising, in the eastern periphery of the EU, there was a partial expansion of the national minimum income scheme in Latvia. The latter measure was not only adopted under bailout conditionality; contrary to what happened in Greece and Italy, it was pursued by a centre-right government that had welcomed austerity.

The expansion of minimum income policy in Greece, Italy, and Latvia was the result of very different political trajectories, that were characterised by different constellations of national political actors and different levels of politicisation of anti-poverty policy. What was similar in the three countries was strict economic conditionality from the EU and international lenders. In the case of Latvia and Greece, conditionality was formalised in bailout programmes. In Italy, although no Memorandum of Understanding was formally signed, EU institutions closely monitored national structural reforms (Sacchi 2015).Despite its role as 'austerity headmaster', however, the EU played an important role in mainstreaming minimum income policy. Most notably, it definitely contributed to putting it on the agenda when national governments had not done so. This brief article documents the different modes of interaction between the EU and domestic politics that led to the expansion of minimum income policy in Latvia, Greece, and Italy. It shows that tight economic conditionality was tentatively accompanied by 'social conditionality' in the field of anti-poverty policy. In the conclusion, we speculate on the rationale that was behind the crucial intervention of the EU in minimum income matters.

Poverty and minimum income reform after the economic crisis in Latvia, Greece, and Italy

After the outbreak of the economic crisis, poverty and social exclusion rose throughout the EU. The rise of poverty was particularly acute in peripheral EU member states, that not only were most hit by the economic crisis, but also found themselves ill-equipped to cope with mounting social issues. Figure 1 compares the poverty trends in Greece, Latvia, and Italy with the average among the EU28.

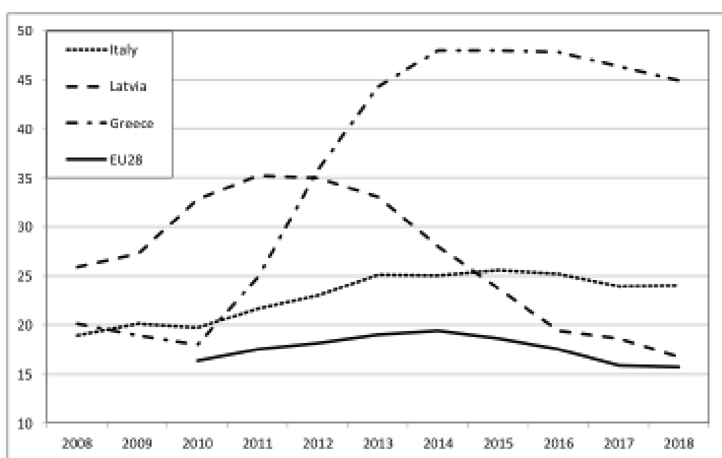

Figure 1. Trends of at-risk-of-poverty rate anchored in 2008 poverty thresholds (% of population at risk of poverty).

When the crisis broke, these three countries were lagging behind in respect to minimum income policy. Italy and Greece were the only two members of the EU that did not have any nationwide minimum income scheme. Latvia, on the other hand, had among the less inclusive and generous schemes in the EU, extremely minimal in its scope. In all three countries, although for different reasons, institutional and political factors had long hindered the development of fully-fledged minimum income policies, thus leaving the most vulnerable citizens poorly protected.

The introduction of minimum income schemes in Greece and Italy and the expansion of anti-poverty policy in Latvia happened paradoxically at a moment when the financial leeway for welfare reform was tighter than ever. The pervasive monitoring of national budgets by the EU and international lenders put cost containment centre stage. However, against the backdrop of skyrocketing poverty, the EU and the IMF paid increased attention to social issues. The IMF

put new emphasis on so-called 'social conditionality', that is, making sure that a basic level of social protection for most vulnerable people was ensured even in an economic crisis (IMF, 2008). Despite the priority given to fiscal consolidation, the EU also made important steps in the fight against poverty. The Europe 2020 strategy included anti-poverty targets in the scope of the European Semester, and addressed a number of country-specific recommendations (CSR) with regard to this particular issue (Jessoula and Madama, 2018). Even when formulating conditionality measures for countries in dire fiscal straits, the EU did not ignore the issue of poverty.

How was EU conditionality linked to the breakthrough of minimum income policy in Latvia, Greece, and Italy?

Latvia

Latvia had very high poverty levels even before the crisis. Despite this, post-transition Latvian politics has never attributed much importance to social assistance (and generous welfare benefits in general), favouring instead a very lean welfare state whereby social benefits are generally modest and closely bound to job seeking and public work programmes for those who are able to work. Since 2003, Latvia has had a guaranteed minimum income benefit (GMIB) that is, however, extremely modest—even for eastern Europe (Lace, 2009). Latvia was hit very hard by the financial crisis in 2008 and found itself simultaneously subject to three economic governance programmes: the European Semester, the Balance-of-Payments Programme, and Maastricht convergence criteria (Eihmanis, 2018).

The reform trajectory rather took place 'behind closed doors', and was shaped by negotiations between the national government and international lenders.

Strict economic conditionality was ensured through a number of Memoranda of Understanding (MoUs): the first in 2009, a supplemental MoU in 2010, and a post-programme surveillance phase from 2012 to 2015. At the onset of the Great Recession, the intervention of the European Commission (EC) and the IMF welcomed a gradual expansion of the national GMIB, that was extended in coverage and generosity and whose financing was partially taken

over by the central government (instead of being completely financed and administered by the Municipalities). However, at the first signal of economic improvement, the centre-right government wanted to come back to the previous arrangement, by rolling back state financing and shifting the financial burden to local governments. As a consequence, the generosity of the benefit was slightly reduced. Interestingly, the retrenchment of the GMIB was pushed through by the national government, while international lenders repeatedly opposed it. According to the Latvian PM Dombrovskis, the guaranteed minimum income had 'robbed part of the population of the motivation to return to the labour market', creating a social group that some ministers called 'professional social security beneficiaries'. On the other hand, the EC and the IMF insisted on the importance of the GMIB to fight poverty, backed by a technical report that the World Bank drafted in 2013, which challenged the conventional wisdom over large-scale dependence on Latvian welfare benefits. After that, the centre-right government stopped cutting benefits and increased the non-taxable minimum income threshold (a crucial though indirect anti-poverty tool in the Latvian flat-rate tax system) as well as bonuses for dependants.

The GMIB issue never reverberated strongly in Latvian public debates. The reform trajectory rather took place 'behind closed doors', and was shaped by negotiations between the national government and international lenders. The latter's intervention and technical advice was crucial in limiting the retrenchment of the GMIB and paving the way for some degree of expansion of anti-poverty policies. Such expansion was directly linked with economic conditionality and austerity, that had been, on the other hand, welcomed by the Latvian centre-right as a way to bring forward retrenchment and liberalisation.

Greece

The increase of poverty in Greece after the outbreak of the economic crisis was dramatic. This made the weakness of Greek social assistance policies apparent. Prior to the crisis, guaranteed minimum income had always failed to gather enough political support to be actually adopted; this was also due to divided views within the Left, the uncertainty of unions and the scarce engagement of the Orthodox Church (Lalioti, 2016). The sovereign debt crisis was particularly acute in Greece, which signed three MoUs with the Troika in May 2010, March 2012, and July 2015. In 2012, the IMF strongly advocated the adoption of a minimum income scheme as part of a strategy aimed to streamline social assistance (Matsaganis, 2018).

When austerity and external conditionality reached their peak, top-down actions and bottom-up anti-austerity politics crashed against each other with the electoral victory of Syriza

A pilot project was then launched at the end of 2014 by the centre-right-led coalition government, which showed, however, only limited support for the measure. The implementation of the pilot was further slowed down after the elections of January 2015, when the left-led government led by Tsipras took over on a ticket of reversing austerity. Despite the marked stress on the 'humanitarian crisis' that had characterised its electoral campaign, the Syriza-led government strongly opposed the Troika-backed guaranteed minimum income scheme, showing preference for in-kind benefits and ad hoc anti-poverty measures (Matsaganis, 2018). The proposed minimum income scheme was seen as yet another imposition by the Troika, strongly attached to austerity measures, which made it virtually impossible for Syriza to reframe it in an anti-austerity fashion. After heated confrontation between the government and international lenders, the MoU of August 2015 made financial aid to Greece conditional on the government introducing a nationwide minimum income scheme. The Memorandum included the first of a series of very detailed recommendations for an effective adoption of the measure, to be implemented with the technical assistance of the World Bank. The minimum income scheme, called Social Solidarity Income (SSI), was eventually introduced in 2017 in a highly politicised context. After its adoption, Matsaganis (2018) observed a gradual shift of Syriza in favour of the SSI; the current centre-right government also appears supportive of GMI, in an attempt to distance itself from the previous government.

Overall, the SSI in Greece was the end point of a highly politicised trajectory. When austerity and external conditionality reached their peak, top-down actions (i.e. strong pressures from the Troika for a swifter adoption of the minimum income scheme) and bottom-up anti-austerity politics crashed against each other with the electoral victory of Syriza, that was strongly opposing any measure attached to bailout programmes.

Italy

Like Greece, Italy had long been characterised by the notable absence of a nationwide minimum income scheme. Before the crisis, the issue of guaranteed minimum income (GMI)

found modest support in the socio-political fabric of Italy: a pilot scheme was tested at the end of the 1990s but was soon discontinued, followed by the introduction of numerous yet patchy regional and local schemes (Jessoula et al., 2014). When poverty began to further increase after the outbreak of the economic crisis, calls for the introduction of a guaranteed minimum income came from civil society. In particular, from the *Alleanza contro la povertà* (Alliance Against Poverty), a heterogeneous anti-poverty network that also included actors like unions and Catholic organisations, which had been sceptical about GMI in the past, and that put forward a concrete and detailed GMI blueprint. Other proposals also came from various political parties. The Five Star Movement (FSM) was the political force that pushed for the introduction of GMI more assertively, with their own flagship proposal called *Reddito di cittadinanza* (RdC)—somewhat misleadingly, since this is actually the Italian wording for 'basic income'. EU economic conditionality was not formalised through an MoU, since no financial rescue programme was implemented despite high and rising public debt. Nevertheless, Italy was subject to what Sacchi (2015) called 'implicit conditionality' since the fall of Berlusconi government in 2011, which was followed by a technocratic government led by the former EU Commissioner Mario Monti. By the same token, 'social conditionality' was not marked, visible, and detailed like in the Greek case. It was, by contrast, 'softer': references to GMI (mostly to the opportunity of the pilots that were launched by Italian governments in 2012) were included in CSRs in the scope of the Europe 2020 anti-poverty strategy (Madama, Natili, and Agostini, 2018). Overall, the EU did not play a leading role in Italian anti-poverty policy making.

The Reddito di cittadinanza suddenly replaced the REI in 2019, in a highly politicised context and despite the scepticism of both the opposition and the coalition-partner Lega.

The policy path that led to the introduction of the first structural nationwide GMI scheme in Italy was not straightforward. Two pilot projects were progressively implemented and expanded before the adoption of the *Reddito di inclusione* (REI) at the beginning of 2018. The REI was introduced under the centre-left-led government coalition, although it never figured at the top of the centre-left agenda, nor did it command much attention in the media. The

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opposite was true for its successor *Reddito di cittadinanza* (RdC). The general election of 2018 brought a swift political change: the FSM and right-wing *Lega* formed an unprecedented anti-establishment coalition government. An equally drastic change in social policy soon followed. The *Reddito di cittadinanza* (RdC) suddenly replaced the REI in 2019, in a highly politicised context and despite the scepticism of both the opposition and the coalition-partner *Lega*. The RdC blueprint was notably broader in coverage and more generous than the previous scheme (thus, more expensive too). Nevertheless, the version of RdC that was finally adopted had been considerably 'watered-down', mainly due to financial sustainability issues raised, among others, by the Commission during the 2019 European Semester negotiations.

In summary, the Italian policy trajectory and the corresponding pattern of politicisation can be divided into two phases, actually matching the two policy episodes: the adoption of REI first and then of RdC . The first phase (REI) was characterised by gradual 'bottom-up' politicisation with domestic and civil society roots; the EU did not take the initiative in CSRs, but rather 'let it go', welcoming national pilot projects and pushing for their expansion. In the second phase (RdC), bottom-up politicization became 'louder', as the FSM invested much political capital in its flagship social policy proposal, the RdC.

Social Europe through the backdoor or sugar-coating austerity?

Despite the priority that it gave to fiscal consolidation, the EU did not completely forget about its social dimension; not even in countries whose public finances declined into particularly dire straits during the years of the economic crisis. As the cases of Latvia, Greece, and (to some extent) Italy show, the EU took anti-poverty policy seriously alongside economic conditionality, although in a general context of cost containment. When the expansion of minimum income policy did not start from domestic political actors (which was only the case in Italy), the Commission, together with the IMF, intervened to assertively promote anti-poverty policy (e.g. the introduction of the SSI in Greece), or to preserve it from retrenchment (in Latvia). The question as to why it did this remains open. The EC could have been driven by political reasons. To wit, it could have felt the necessity to offer some form of compensation to citizens and member states that had been hit hard by the economic crisis and austerity. The promotion of 'social conditionality' could have been an attempt to redress austerity in the face of rising discontent, especially in the case of Greece, where the opposition to the EU had become a matter of concern. On the other hand, the Commission may have also simply acted according to a functional rationale, along with what had characterised EU social policy as a mix of work-activation objectives and minimum income

protection ever since the launch of the Lisbon Strategy in 2000.

Be that as it may, the fight against poverty seems to have become a fundamental and ever-present element of the social dimension of the EU, which cannot be left aside, not even when all eyes are directed at public finances. This is an objective that was inscribed in the 14th principle of the European Pillar of Social Rights, which grants European citizens the 'right to adequate minimum income benefits'. At a moment of deep economic and social crisis, this gives us confidence in the authenticity of the so-called horizontal social clause contained in Art. 9 of the Treaty on the Functioning of the EU, which aims to ensure that certain basic social principles are reflected in all the activities of the Union.

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