The social floor: essays on minimum income protection

Proefschrift voorgelegd tot het behalen van de graad van doctor in de sociaal-economische wetenschappen aan de Universiteit Antwerpen te verdedigen door

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Antwerp, 2017
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ACKNOWLEDGEMENTS

Completing this thesis would not have been possible without the help and encouragement I consistently received over the past years. I gladly take this opportunity to thank the persons who have made writing this thesis an experience that I would most definitely repeat.

I am particularly indebted to my supervisor, Ive Marx. Ive, you planted the seed to write a PhD thesis in the first place, and throughout the years, you have kept believing in me. You pointed me in interesting directions, and gave me the freedom to delve into the MIPI data when it seemed they didn’t really add up (a frequent occurrence at the start of the data set update). At the same time, you were very good at indicating when to stop doubting myself and simply continue and finish an article or endeavour. If only I would have listened more often… Thank you also for guiding and supporting me in the world of academia, and for the many stimulating and interesting work- and non-work- related conversations. I couldn’t have wished for a better supervisor and mentor.

Special thanks also goes to Natascha Van Mechelen, my patient and often sought-out go-to person in my first years at the Centre. As a member of my doctoral commission, you were always quick and thorough in giving constructive feedback and advice. The collaboration with you as an expert of minimum income protection has greatly benefited this thesis.

I sincerely thank Bea Cantillon, the chair of my doctoral commission. As the director of the Herman Deleeck Centre for Social Policy, you create the ideal research atmosphere. Leading by example, you encourage us to think about the broader implications and relevance of our research, and to never forget the bigger picture. It was largely thanks to your Bachelor course *Samenleving, Feiten en Problemen* that I became captivated by the value of and challenges to our social protection arrangements. I would also like to thank you for the collaboration in what ultimately became the last chapter of this thesis, from which I learned a lot.

I thank Herwig Immervoll, Kenneth Nelson and Frank Vandenbroucke for making time in their busy schedules to read and assess this thesis. I am honoured to have such esteemed scholars, who inspire many researchers through their important and thorough work, as jury members.

I am indebted to all the contributors to the CSB MIPI data set, on which this thesis builds extensively. CSB MIPI is the result of a collective effort of many before me, and of many country experts who graciously agreed to contribute to this data set. Within the two data
collection waves in which I participated, I have contacted time and again the contributors to
the data set, who were happy to help me with my numerous questions, and who graciously
took the time to really introduce me to their countries’ minimum income schemes. There are
too many to name them all (a full list can be found at
http://www.centrumvoorsociaalbeleid.be/index.php?q=node/3270), but this doesn’t make my
thanks to the MIPI respondents any less sincere or heartfelt.

I am also indebted to the Research Foundation – Flanders (FWO), for funding my PhD
scholarship, which gave me the opportunity to write this thesis.

I also want to thank my colleagues for making working at the Centre such a fulfilling
experience. Thank you for the many stimulating coffee machine conversations, the great after
work activities, the interesting lunch hour debates, and the warm support I experienced from
all of you in the last months of “killing the beast”. A special word of thanks to Jeroen, Julie
and Marjolijn, who read and commented extensively on numerous parts of this thesis, and to
Dieter, my long-time office buddy.

Last but not least, I would like to thank my friends and family, who have supported me
tremendously over the past years.

Bedankt lieve vrienden, voor de steun die jullie, vaak onbewust, gaven tijdens gezellige
avonden en zotte weekends. In het bijzonder, Steph, voor de vele motiverende memes als de
moed me tijdelijk in de schoenen zakte, en Nathalie, die met de suggestie voor het voorblad
kwam. Dorien, Letitsja, Evelien, Julie, Anne, … Dank voor de vele leuke momenten de
laatste jaren!

Lieve mama, papa, Enya, Zoë en Indy, heel heel heel veel dank, voor de beste thuis die ik me
can voorstellen. Voor het altijd wat te relativeren. Om klaar te staan op momenten dat ik het
moeilijk had, met praktische hulp, goede raad, een warme knuffel of met zotte plannen. Voor
de berichtjes die ik nog altijd mag verwachten wanneer ik zenuwachtig ben. Zonder jullie was
dit niet gelukt.

Tot slot, papa en mama, bedankt voor het geweldige voorbeeld dat jullie ons gaven. Elke dag
proberen jullie weer vol creativiteit en enthousiasme het verschil te maken daar waar het echt
gebeurt, als leerkracht en maatschappelijk werker. Jullie verhalen doen me telkens weer
beseffen hoe oneindig complex situaties kunnen zijn, en hoe belangrijk het is in welk gezin je
geboren wordt. De zussen Marchal hadden duidelijk de jackpot. Daddy's gonna buy you a
dream to cling to, Mama's gonna love you just as much as she can. And she can.
# Table of contents

Introduction .................................................................................................................. 1
  The last safety net of the welfare state ........................................................................ 2
  At the frontline in a changing policy context ............................................................. 4
  What we do and don’t know ..................................................................................... 7
  Outline and scope .................................................................................................... 11
  Measuring and analysing minimum income protection institutions with unique data.... 15

PART I. Setting the scene: Trends and variation in minimum income protection .......... 1
    1.1 Introduction ...................................................................................................... 22
    1.2 Social assistance schemes for the able-bodied ................................................ 23
    1.3 Data and methodology .................................................................................... 28
    1.4 Social assistance benefit levels in 2009 ......................................................... 30
    1.5 Social assistance benefit levels: trends ......................................................... 33
    1.6 Conclusions .................................................................................................... 46

  Chapter 2: Mind the gap: net incomes of minimum wage workers in the EU and the US .. 49
    2.1 Introduction ...................................................................................................... 50
    2.2 Context: low pay and in-work poverty ............................................................ 51
    2.3 Data and analytical approach .......................................................................... 53
    2.4 Minimum wages and institutionally imposed wage floors ................................ 54
    2.5 Net incomes at minimum wage level relative to the poverty threshold.............. 59
    2.6 Trends over the past decade ............................................................................. 63
    2.7 Conclusion and prospects for improvement ..................................................... 71

  Chapter 3: Exploring a blind spot in comparative pension reform research: Long-term trends in non-contributory pensions in Europe ......................................................... 77
    3.1 Introduction ...................................................................................................... 78
    3.2 The development of non-contributory pensions in ‘old’ Europe ....................... 80
3.3 Two recent data sources ................................................................. 83
3.4 Trends in non-contributory pensions ........................................... 85
3.5 Recent trends during the crisis ...................................................... 95
3.6 Discussion .................................................................................. 98
3.7 Conclusion ................................................................................ 100

PART II. MINIMUM INCOME PROTECTION IN THE CRISIS ...................... 101
Chapter 4: The Great Wake-Up Call? Social citizenship and minimum income provisions in Europe in times of crisis ................................................................. 103
4.1 Introduction .............................................................................. 104
4.2 Crises and social policy change .................................................. 106
4.3 Analytical framework: assessing policy change in the area of minimum income protection ................................................................. 108
4.4 Data .......................................................................................... 111
4.5 Crisis responses ....................................................................... 113
4.6 Discussion and conclusion ........................................................ 121

Chapter 5: Minimum income protection in the austerity tide .................. 123
5.1 Introduction .............................................................................. 124
5.2 Theory: Crisis pressures, and crisis constraints ........................... 125
5.3 Data and analytical framework ................................................... 128
5.4 Changing minimum income protection schemes ....................... 132
5.5 Discussion .............................................................................. 144
5.6 Conclusion and policy implications .......................................... 148

PART III: SHIFTING POLICY FOCUS: Activation and making work pay .......... 151
Chapter 6: Stemming the tide: What have EU countries done to support low-wage workers in an era of downward wage pressures? ......................................................... 153
6.1 Introduction .............................................................................. 154
6.2 Research questions ................................................................... 156
6.3 Data & Method ........................................................................ 160
INTRODUCTION

Many struggle to keep up in our societies. Newspaper articles and poverty figures remind us with the regularity of clockwork of the reality of persons living from paycheck to paycheck, stringing together incomes from different jobs and government support. Others have lost contact with the labour market entirely. By now it is well-established that despite numerous successes on various fronts, including employment and education, progress towards reducing poverty has remained astonishingly limited. Poverty rates for work-poor families of active age were even outright increasing in many countries in the years 2000 (Cantillon & Vandenbroucke, 2014). In sum, for a non-trivial – and since the crisis in many countries even growing – number of people, the welfare state is not able to provide sufficient means to protect against poverty. Assessing the actions that welfare states take to reduce poverty is therefore cuttlingly relevant. Welfare states combine an entire arsenal of instruments that each in their own way protect against the loss or absence of income (Cantillon & Van Mechelen, 2014). This thesis bundles eight articles and book chapters that focus on the design and generosity of those measures that have as main raison-d’être to provide a final safeguard against extreme poverty and destitution: the minimum income protection arrangements for the able-bodied of active age.

For the non-working able-bodied of active age, minimum incomes are predominantly guaranteed through social assistance benefits. This thesis looks at the adequacy of these safety nets both in terms of the ultimately guaranteed incomes and the conditions that are tied to benefit receipt, using purpose-collected and high quality institutional data. It assesses how safety nets have changed in the 1990s and in the 2000s. This time period covers the years international organisations and policy makers decisively started promoting activation as a new policy paradigm (Eichhorst & Konle-Seidl, 2008; European Commission, 2010a; Kok, 2004; OECD, 1994, 2005; Weishaupt, 2011, 2013), as well as the first crisis years. In addition, this thesis assesses the net disposable incomes that are guaranteed to working families, through the combination of minimum wage regulations and tax-benefit measures. The chapters all employ a cross-national comparative design and – implicitly or explicitly – take into account the role of the EU.
Understanding the generosity and trends of what is ultimately our societies’ final safeguard against poverty is important for different reasons. First and foremost, in a profoundly changing macro-economic and socio-demographic environment, minimum income protection’s role as the residual safety net is likely to grow. It is the provision that automatically steps in when other, traditional protection arrangements fall short (Immervoll, 2009). In this sense, it also offers an indication whether there are deficiencies appearing in the broader welfare state (De Wilde, Cantillon, Vandenbroucke, & De Bie, 2016). Second, minimum income protection has a fundamental role in contemporary welfare states: it represents the ultimately guaranteed income level. Hence, it is a prime indicator of the very real commitment welfare states make to guaranteeing social rights. The very nature of minimum income protection has likely changed as welfare states have become more oriented around activation. Finally, on a more instrumental level, the minimum levels for different target groups are the stepping stones the rest of the welfare state builds on, and are important parameters for policy makers.

This introduction first sketches the importance of minimum income protection, both in its historical context as in its different roles. Next, it describes the challenges minimum income protection schemes are being faced with as a residual scheme in the profoundly changing policy context of the last decades. A third section summarizes the state of the research on minimum income protection institutions, and indicates where this dissertation aims to add to this literature. Section 4 details the outline of this thesis. Finally, I discuss the institutional data that are used throughout this thesis.

**The last safety net of the welfare state**

Contemporary western societies have built up an extensive range of instruments to protect the living standards of individuals and households. Traditionally states were committed to full employment in order to secure adequate incomes for all (Beveridge, 1944; Cantillon & Buysse, 2016). Social insurance schemes are intricately linked to this logic. Persons pay contributions over their career, in order to receive income replacement benefits when they are temporarily or permanently unable to participate when a pre-defined social risk occurs (Cantillon & Van Mechelen, 2014), such as unemployment or old age. In contrast, minimum income protection schemes were conceived as a final safety net for the few marginalized that did not gain access to adequate incomes through labour market participation or social insurance. Generally, these schemes were implemented only after the traditional social
insurance schemes developed. Especially social assistance schemes that cater for the non-working of active age are a relatively recent addition to the traditional welfare state schemes (Lodemel & Schulte, 1992), only emerging from the 1960s and 1970s onwards in the Western European Member States. In the Southern European Member States, minimum income guarantees developed fairly late (the 1990s in Spain and Portugal), only partially (in the case of Italy), or not at all (in Greece). The countries of Central and Eastern Europe saw the emergence of universal social assistance systems since the 1990s. In the communist era, poverty was hardly an issue: full employment, strong subsidization of basic commodities and services, and social security provisions for those unable or no longer able to work were assumed to effectively prevent poverty (Standing, 1997). In order to meet the new social and economic needs that arose with the fall of communism (Ferge & Juhász, 2004), the entire social architecture was redesigned.

All in all, minimum income protection schemes were commonly heralded as the final piece of the traditional welfare state that would cover the last target groups still left uncatered for. Consequently, their set-up is inherently residual. Minimum income protection schemes provide means-tested support and only step in after all other possible income sources, such as potential entitlements to social insurance benefits, are exhausted (Bahle, Hubl, & Pfeifer, 2011). It only becomes relevant when other welfare state provisions do not (or no longer) apply. This residual role translates into a signal function for minimum income protection: as the context in which minimum income protection developed as a safety net of last resort is changing, its role is likely to expand beyond its originally intended marginal one (Immervoll, 2009). Hence, changes to minimum income protection schemes and their beneficiaries may point to emerging deficiencies of the welfare state (De Wilde et al., 2016).

Minimum income protection represents one of the social rights guaranteed by the welfare state. Social rights refer to measures that at the very least establish a certain level of economic welfare, and ideally guarantee full participation in society. Marshall (1950) considered such social rights to be necessary extensions of civil and political rights. By defining (and guaranteeing) a non-discretionary floor below which no one is allowed to fall, minimum income protection embodies the ‘ultimate’ social right guaranteed by a given society (Simpson, 2016). Bahle et al. (2011) term this the fundamental role of minimum income protection. In contrast to former “charity relief”, minimum income protection is a non-discretionary and enforceable right. In this spirit, Leibfried (1992, p. 126) argues that minimum income protection, at the margins of the welfare state, is what most clearly reflects
the actual generosity of a welfare state: “it is here that the limits – and the contents – of social citizenship are tested”.¹ From this perspective, we can also understand the EU interest in minimum income protection (e.g. in the European pillar of social rights consultation (European Commission, 2016), or in the European Commission’s communication on social benchmarks (European Commission, 2015)). EU positions on minimum income protection may represent (or contribute to) shared values on minimally acceptable standards within the EU (Leibfried, 1992; Vandenbroucke, 2016).

On an instrumental level, minimum income benefits are relevant benchmarks for policy makers, as they are the very floor below the entire building of the welfare state and labour market incomes. Bahle et al. (2011) speak in this regard of minimum income protection as the foundation of the welfare state. Van Mechelen (2010) relates the concept of “less eligibility” to social assistance benefit levels, arguing that non-contributory minimum income benefits are at the bottom of hierarchy of incomes, leaving margins for higher contributory benefits and low wage incomes. Similarly, in Cantillon, Collado, and Van Mechelen (2015b) it is argued that out of legitimacy and fairness concerns, policy makers will want to safeguard a hierarchy between in-work and out-work incomes. Hence, studying the minimum income protection guarantees for different (working and non-working) target groups informs policy considerations and options.

At the frontline in a changing policy context

Originally responding to the social risks inherent to an industry-based economy characterized by strong economic and productivity growth, full life-time male employment and stable breadwinner families; welfare states have needed to adapt themselves to a rapidly changing environment. Many scholars argue welfare states have profoundly changed, as they have started (translating from Cantillon and Buysse (2016, p. 29)) “to work harder and also differently”.

¹ It is worth noting that other scholars argue that the shift from poor relief to social rights is better represented by the lack of means-testing in social insurance schemes (Esping-Andersen, 1990; Körpi, 1989). Yet Marx and Nelson (2013a), building on Leibfried (1992), Gough, Bradshaw, Ditch, Eardley, and Whiteford (1996) and Ferrera (1998), rebut this argument: restriction is an inalienable part of citizenship and means-tested benefits can be rights-based, as long as they have a legal basis and an appeals procedure. Indeed, selectivity and individual responsibility do not seem to be directly at odds with social citizenship understood as participating in society (Kvist, 2007; Marx & Nelson, 2013a), although it clearly signals a change in the dominant conception and provision of social citizenship rights in Europe (Bahle et al., 2011; Moreira, 2008).
The changes welfare states have struggled to adapt to are well-known and manifold. Since what is often nostalgically called ‘the golden age of the welfare state’ (Wincott, 2013), we experienced a transition from an industry-based economy to an economy that is more and more based on services, where productivity gains are less easily achieved (Atkinson, 2015; Autor, 2009; Autor, Murnane, & Levy, 2003). Profound (and still ongoing) technological changes have led to a demand shift away from low-skilled workers (Brynjolfsson & McAfee, 2014; Marx, 2007), while globalization led to increased competition. All in all, stable full-time employment became less and less the norm, especially so for certain vulnerable groups of the labour force (Horemans, 2016). At the same time, female labour market participation has finally led to increased independence of women. It also led to large increases in dual earnership, further putting people who are not able to secure a stable labour market income at a disadvantage (Cantillon & Buysse, 2016). Finally, continuous and substantial migration flows have led to less homogenous societies (Alesina & Glaeser, 2004; Mau & Burkhardt, 2009). All these changes have rendered the original welfare state blueprint, organized around full male breadwinner employment and stable careers, outdated.

These profound economic and demographic changes have, however, not led to a retreat of the welfare state, but rather to welfare states expanding their tasks and responsibilities (Bonoli & Natali, 2012; Cantillon & Buysse, 2016). In this process of ‘recalibration of the welfare state’ (Ferrera & Hemerijck, 2004), new social policy paradigms have gained prominence in both policy discourse and practice. Most importantly, a shift towards activation and the active welfare state occurred (Weishaupt, 2011). Although scholars point out that activation is essentially a very vague concept, ranging from a narrow individual interpretation to Barbier’s broader notion of making the welfare state employment-friendly (Barbier, 2006; Barbier & Ludwig-Mayerhofer, 2004), there is no mistaking that social policy makers in the 1990s and 2000s considered increasing employment rates to be a solution to numerous social problems (Aust & Arriba, 2005; Weishaupt, 2011). Consequently, governments redirected their focus from passive protection to more active labour market and social protection measures. Policy reforms aimed to restructure social protection around an ‘adult worker model’, where anyone who is able to, should work (Annesley, 2007). Activation measures were expanded over the 1990s and 2000s to include ever more target groups, up to and including social assistance recipients (Eichhorst & Konle-Seidl, 2008; Weishaupt, 2011, 2013). This focus on recalibrating welfare states towards active welfare states was (and still is) highly promoted by international organizations, not in the least by the EU and the OECD (European Commission,
2010a; European Parliament, 2000; OECD, 1994). More recently, the focus on activation broadened to a focus on social investment. Although the objectives of increasing employment rates and securing incomes through labour market attachment remain prominent, a social investment strategy stresses attention to early life hood intervention and a substantial investment in human capital throughout the life course (Morel, Palier, & Palme, 2012; Vandenbroucke & Vleminckx, 2011).

Self-evidently, these shifts in policy context and approach affect the final safety net. First, as labour market forces and migration make it harder to comply with eligibility conditions to insurance-based schemes, the need for non-contributory assistance likely increases (see also Immervoll, 2009). This may be especially so as reforms in traditional insurance schemes have tightened contribution-related access criteria and behavioural requirements in many countries, again in a bid to make the welfare state more employment-friendly (Hansen, 1998; Van Lancker, Marchal, Schuerman, Van Mechelen, & Van Kerm, 2015; Venn, 2012). Although it is notoriously difficult to compare administrative beneficiary numbers over schemes and countries, there are indications that such a realignment of the relevance of minimum income protection is happening. De Deken and Clasen (2011) present harmonised caseload data to compare the share of unemployed covered by different schemes in eleven countries. They show that in some countries, not in the least Germany, the relative share of unemployed covered by means-tested minimum income support is on the increase. For Belgium, Van Mechelen, Zamora and Cantillon (2016) present long-term time series on the social assistance caseload that show a diversification of the social assistance population, coupled to large caseload increases.

Second, minimum income protection provisions were also actively reformed in order to bring them in line with the activation agenda. The list of minimum income scheme reforms that were enacted over the past two decades is long. Many of these reforms appear to be guided by a preoccupation with the social and economic reintegration of social assistance recipients. Often, and in line with broader welfare state trends, minimum income protection was rebranded in a way to emphasize a focus on insertion or activation. Examples include the introduction of the Jobseeker's Allowance in 1996 in the United Kingdom, the Hartz IV reform of 2005 in Germany, the replacement of the ‘old’ social assistance scheme by the Minimum Income in Slovenia in 2001, the Right to Social Integration (RMI) in 2002 in Belgium, the Social Insertion Income in 2003 in Portugal, the Material Needs Benefit in 2003 in Slovakia, the Employment and Assistance Act (WWB) in 2004 in the Netherlands, the
'Revenu de Solidarité Active’ in 2009 in France and the new Benefit for Persons in Active Age in 2009 in Hungary. These reforms have likely affected the very nature and generosity of the final safety net. Hence, a careful analysis of minimum income protection’s institutional set-up, weaknesses and strengths is in order.  

Finally, in light of the policy efforts to lead social assistance beneficiaries to the labour market, assessing the adequacy of minimum labour market incomes becomes equally relevant. Minimum income protection for those in-work and those out-of-work finds itself precisely there where the new challenges for the welfare state are felt particularly hard. Increased labour market insecurities especially hit those at the bottom of the welfare state. This group has more trouble to secure sufficient social insurance rights, or, when they do have access to the labour market, the minimum arrangements for workers tend to be more important. Against this background, this thesis looks at the changes to minimum income protection as the final safety guard of the welfare state. I assess how the adequacy and nature of minimum income protection was changed since the 1990s, when the recalibration of the welfare state was fully underway. This question is relevant from a welfare state change perspective, but even more so from a policy perspective, as it offers insight in how minimum income protection might be changed to head the challenges of the future.

**What we do and don’t know**

Minimum income protection has long been relatively neglected as a research field. Initially comparative welfare state research scholars mainly focused on the nature and changing character of larger social insurance programs. Yet interest grew as persistent poverty rates and insufficient unemployment insurance in the face of mass unemployment in the 1980s made it clear that also in the age of fully-grown social insurance schemes, minimum income protection remained relevant (Bahle et al., 2011; Marx & Nelson, 2013b).

With increasing interest in minimum income protection institutions, it soon became clear that minimum income protection merited a separate focus within comparative welfare state change research. Already in 1997, Lodemel observed that minimum income protection schemes for the non-working did not coincide with the famous Esping-Andersen categorization of welfare states, an observation he termed the welfare paradox. Indeed, the social assistance

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2 An analysis of their actual effectiveness in leading beneficiaries back to the labour market is outside the scope of this thesis. An analysis for the Belgian minimum income scheme can be found in Carpentier (2016).
categorization by Eardley, Bradshaw, Ditch, Gough, and Whiteford (1996b), based on a large scale data collection on institutional indicators of means-tested benefits in OECD countries, showed very diverse country clusters that were later confirmed in a research note by Gough (2001). Subsequent studies, among others by Bahle et al. (2011) and Pfeifer (2012) demonstrated that the relation between the broader welfare state context and minimum income protection may largely vary between countries and target groups. In the footsteps of Eardley et al. (1996b), researchers developed and collected detailed indicators to capture the adequacy of and variation in means-tested schemes for different target groups (Bahle et al., 2011; Immervoll, 2012a; Nelson, 2007a, 2010; Van Mechelen, 2010). For the able-bodied of active age, the focus was mainly on the provisions for the non-working population. These studies identified a general inadequacy of minimum income protection relative to commonly agreed upon international poverty thresholds, as well as large variation between countries. This thesis explicitly places itself in this tradition, using original institutional data that aim to improve and expand upon the available indicators on minimum income protection generosity, inter alia through attention to the different components of minimum income protection, and including conditionalities and services (cf. infra).

The increased availability of institutional indicators regarding the generosity of minimum income protection schemes and packages (at least for the not-working able-bodied of working age) facilitated research into the extent and type of institutional change in the field of minimum income protection. Cantillon, Van Mechelen, Marx, and Van den Bosch (2004) found indications for a general decline of social assistance benefits in the 1990s. Nelson (2007b) demonstrated that social assistance schemes, more so than social insurance schemes, are vulnerable to retrenchment. Other studies focused on the determinants of trends in social assistance benefits, stressing the importance of middle class inclusion, trade union density, the implementation level, activation spending and broader welfare state and economic context (Nelson, 2003, 2013; Noël & Deault Picard, 2015; Van Mechelen, 2010). Recently, Cantillon, Collado, and Van Mechelen (2015a) have suggested that there may be systemic limits to social floor increases, arguing that (low) wage erosion leaves little scope for improvements to the social floor. A continued monitoring of trends in our last safety net thus remains in order.

An especially relevant question is how minimum income protection schemes responded to the 2008 financial crisis and its aftermath. Bahle et al. (2011, p. 234) state in this regard that “the capability of minimum income protection to secure basic social citizenship rights is (…) challenged in times of major economic downturns. An important issue is therefore the way in
which minimum income protection schemes reacted to the recent economic crisis when it hit labour markets in 2008 and 2009”. Moreover, scholars have suggested that sudden shocks may play a role in disruptive social policy changes (Castles, 2010; Starke, Kaasch, & Van Hooren, 2013). An assessment of minimum income protection’s reaction to the 2008 economic shock will add to this debate.

Minimum income protection research has also tried to gauge the impact the activation turn had on the nature of the last safety net of the welfare state. Initially, scholars focused on the impact of activation reforms on the larger and more well-known welfare state programs. As a consequence most cross-national comparative inventories and databases on behavioural conditions and activity requirements refer to the practices within unemployment insurance (Hansen, 1998; Hasselpflug, 2005; Knotz & Nelson, 2013; Venn, 2012). Nonetheless, in-depth country case studies have clearly demonstrated that the turn towards activation was also felt by minimum income beneficiaries (e.g. Aurich, 2011; Eichhorst & Konle-Seidl, 2008; Lodemel & Moreira, 2014; Lodemel & Trickey, 2001; Moreira, 2008). By now, scholars have forcefully demonstrated that activation has become a leading paradigm also in the provision of minimum income protection for the non-working population of active age (Daigneault, 2014; Weishaupt, 2013). Moreira (2008) has argued that this should not necessarily contradict the main purpose of minimum income protection, as long as it is coupled to adequate protection and valuable activation. Nonetheless, an up-to-date assessment of the activity requirements and other activation measures within the European final safety nets is lacking. This thesis explores new ways to cross-nationally map and compare this activation dimension of minimum income protection. It identifies and develops new cross-nationally comparable activation policy indicators that are applied in a fuzzy set ideal type analysis of activation strategies.

The focus on activation has spurred attention to the relation between out-of-work and in-work incomes. As a case in point, the OECD’s Benefits and Wages simulation model shows the net gains and marginal effective tax rates for model families making the transition from unemployment to employment (OECD, 2014). Yet despite the rhetoric that work is the best protection against poverty, we know relatively little of the level and adequacy of guaranteed income floors for working families. Self-evidently, as a headline policy instrument the minimum wage has received substantial research and policy attention. Researchers have

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3 A notable exception is the overview of activity requirements for social assistance beneficiaries in Immervoll (2009).
assessed in great detail the trends and variation in minimum wages (see e.g. OECD, 2015a; Schulten, 2014; Vaughan-Whitehead, 2010), its relation to average wages and its coverage rate (the 'bite' of the minimum wage, see Ryckx & Kampelmann, 2012). However, minimum wages do not solely (or even primarily) serve to protect workers against poverty, but also aim to ensure fair wages and wage structures. Their capacity as poverty-fighting instruments may indeed be quite limited. Many authors have in fact studied the impact of a minimum wage increase in terms of combatting in-work poverty. Given that large part of the effort would benefit dual earner families where the second earner works for a low wage, such an impact is limited (see e.g. Marx, Vanhille, & Verbist, 2012). This is not to say that minimum wages do not have a place in ensuring adequate in-work incomes. Yet the capacity of “individual” remunerations such as the minimum wage to support widely different family constellations has likely become strained in a time where living standards are codetermined by dual earnership. An assessment of minimum income protection for workers hence needs to be broader than minimum wages. Indeed, welfare states have numerous income support instruments at their disposal, that they have started to target also to working families over the past decades (see e.g. Bray, 2013 for a long-term analysis for Australia). In this thesis, we assess how different income support instruments interrelate in securing minimum income protection for workers. We hypothesize that the division of market vs state responsibility for income floors to workers has shifted more towards the state, in light of the broader socio-demographic and economic changes described above. In addition, this thesis assesses how changes in minimum income protection for workers relate to the broader balance of minimum income protection for the active age population, both working and non-working.

Finally, scholars have aimed to gauge the impact of the continuing Europeanization on EU Member States’ social policies. Traditionally, EU institutions have expressed an active interest in minimum income protection (see e.g. Council of the European Communities, 1992; European Commission, 2008a; European Parliament, 2010; Frazer & Marlier, 2009, 2016; Van Lancker, 2010). By installing the Open Method of Coordination also for the field of social exclusion, minimum income protection became an EU social policy focus. Bahle et al. (2011, p. 233) see the continued EU attention as a reason that “substantial improvement of the basic social protection of Europe’s most vulnerable citizens could have been hoped for”, despite the large differences between EU Member States. Similarly, be it less forcefully, adequate labour market incomes have often been stressed by the EU institutions (e.g. European Commission, 2008a). However, the impact of the EU can also have made itself felt
in other, less positive ways. An obvious factor in this regard is the increased competition between certain kinds of labour in the single market with free movement of goods, services, capital and persons (see Kvist, 2004). This thesis brings together indicators of minimum income protection for the working and non-working able-bodied population for the EU Member States. As such, it allows gauging advances towards an EU minimum income protection policy.

The research discussed above is intent on measuring, assessing and comparing the different aspects of minimum income guarantees. Self-evidently, minimum income protection schemes are also assessed from a more functional perspective, analysing their functioning (whether they succeed in reaching the poor, or are confronted with large non-take-up rates, see for instance Bargain, Immervoll, and Viitamäki (2012) and Figari, Matsaganis, and Sutherland (2013)) and outcomes (such as the extent to which they redistribute incomes and alleviate poverty among the broader population, see for instance Behrendt (2002) and Tasseva (2012); or former beneficiaries’ long-term labour market trajectories (Carpentier, 2016)). Some (rather rare) cross-national comparative studies have tried to link institutional indicators to outcomes, in order to identify what characteristics make for more performant or effective minimum income schemes. Important contributions in this respect were made by Behrendt (2002), Nelson (2003) and Holsch and Kraus (2004, 2006). Holsch and Kraus (2004) for instance tried to relate the decentralized organization of social assistance to its redistributive impact, yet their results are inconclusive. In their later paper, they find that a high share of social assistance beneficiaries in the population relates to greater distributive effectiveness, which is not necessarily the case for higher social assistance spending or benefit levels. Most recently, Vandenbroucke and colleagues (2013) assessed the correlation between minimum income benefit levels and different poverty indicators, which they found to be generally weak. They argue that this type of research is hampered by data availability, both of outcomes as well as of institutional arrangements. Often institutional indicators are not sufficient. Although this thesis does not aim to explain minimum income protection outcomes and effectiveness, it does hope to contribute to this debate by taking a further step forward towards the development of high quality institutional data.

Outline and scope

This dissertation assesses the minimum income protection guarantees in place for different target groups in the EU Member States. It focuses on broader trends, yet with ample attention
to individual country experiences. It explicitly includes assessments of minimum income protection in the new Eastern European Member States, and looks at minimum income protection for both the working and non-working able-bodied active age population. In addition, one chapter looks at minimum income protection for the reference group of the elderly. It consistently assesses how different arrangements are combined in order to guarantee (in)adequate protection, and how these have changed as behavioural conditionality and financial incentives became more important. The consistent cross-national comparative focus helps to disentangle common trends versus country-specific reforms, hence contributing to some of the puzzles in welfare state change research, including the probable impact of crises on social policy development, the effect of activation measures on guaranteed social rights and the influence of the EU.

In a first part, I discuss the trends and variation in minimum income protection. Chapter 1, co-authored by Natascha Van Mechelen, presents the minimum income protection arrangements that are in place for the non-working able-bodied of working age in the different EU countries and three US states. The target group under scrutiny usually falls back on the general social assistance scheme. A few countries are exceptions as they have a social assistance scheme that caters explicitly to those who are able-to-work. We find that minimum income protection for this target group is usually far below the EU poverty threshold of 60% of national median equivalent disposable household income. Looking at trends from the 1990s to 2009, right after the onset of the crisis, we find quite diverse patterns. Whereas there was a common erosion of the adequacy of minimum income protection in the Western EU Member States in the 1990s, in the first decade of the 2000s the picture is far more diverse. Some countries introduced anti-poverty programs, and increased minimum income protection as an important part of such a strategy. In other countries, reforms wreaked havoc on the adequacy of minimum income protection. Yet, in the majority of countries trends in the adequacy of minimum income protection could be traced back to the lack of sufficiently generous institutional indexation mechanisms. Generally, indexation aims to adjust benefits to changing price levels, or to a very limited extent to changing wages. Hence, we conclude that ad hoc increases are necessary to keep benefits in line with living standards.

Chapter 2 looks at variation and trends in the net income guaranteed to persons and households where one adult participates full-time in the labour market. This paper, co-authored by Ive Marx and Brian Nolan, first discusses the spread in minimum wages in the EU countries in the 1990s and 2000s. Next, it presents the variation in net disposable income
at the minimum wage for different family constellations. Whereas we find that minimum 
wages generally suffice to keep a single person household out of poverty (as defined by the 
EU), they are inadequate when there are more people present in the household to rely on this 
wage income, and this despite government support that has become quite substantial in some 
countries.

Chapter 3 provides background to the trends in income protection for the active age 
population, by looking what has happened to the minimum income protection for a 
completely different target group, the elderly. For this target group, the recent shift towards 
activation and making work pay in policy discourse and practice is arguably of less concern. 
Yet also for the elderly, the decline in model careers is relevant, the more as the brunt of 
recent pension reforms in the EU countries have sought to strengthen the link between past 
contributions and future benefit payments (Zaidi, Marin, & Fuchs, 2006). Also here, 
minimum income protection arrangements are likely to become more common, as access to 
the main public pension scheme becomes more difficult for certain groups. This chapter, co-
authored by Tim Goedemé, shows that minimum income protection for the elderly (social 
pensions in Goedemé’s (2012) typology) has generally increased. Hence, trends for elderly 
who fall outside the realm of contributory pensions (and as a consequence have to rely on 
minimum income protection in old age) are very different to the trends in minimum income 
protection for non-working of active age described in the first chapter.

The second part of this dissertation focuses on social policy change in the field of minimum 
income protection for those out-of-work during the crisis. Chapter 4 assesses the impact of 
crisis measures on the adequacy, the accessibility and the behavioural conditionality of 
minimum income protection in the first crisis years. Together with co-authors Ive Marx and 
Natascha Van Mechelen, I find that these measures initially sought to strengthen minimum 
income protection adequacy. On the whole, social policy changes taken in the first crisis years 
2008 and 2009 generally raised net disposable income, whereas access and conditionality 
requirements were largely left untouched. These changes were not extraordinary compared to 
previous trends, we did not find indications for disruptive crisis-driven change. By the end of 
the period under observation (mid 2010) however, the first cracks in this relatively positive 
picture became visible. In an update of this paper (chapter 5), we include changes taken later 
on after the onset of the crisis (up to 2012). We assess their impact on the future trajectory of 
minimum income protection. We find a clear shift towards austerity measures and austerity 
driven reforms from 2010 onwards. Yet once again, these reforms did not constitute
disruptive changes, but seemed to further the activation agenda that was already initiated in most countries in the pre-crisis years. The largest retrenchment took place in the countries that were hit the hardest by the crisis, which points to more ‘necessity-driven’ reasons for retrenchment in minimum income protection provisions, rather than ideological considerations. In line with common knowledge in retrenchment literature regarding the nature of retrenchment measures (Pierson, 1994), we find that also these crisis-driven austerity measures were mainly of a technical nature.

Part 3 of this thesis consists of two papers that relate trends and variation in minimum income protection to the activation narrative favoured by policy makers, and the active inclusion recommendation of the European Commission in particular. Chapter 6, co-authored by Ive Marx, looks at trends in minimum income protection for the working active age population. It finds that governments have substantially increased additional support to low wage earners. This finding is in line with commonly voiced policy concerns regarding in-work poverty and the ability of low wage jobs to support a family. Within this increase in additional support, lone parent families generally benefited more than breadwinner couple households. Finally, we find some evidence for an increased preference to provide social support through the tax system rather than through increased benefits, although there are important exceptions. Chapter 7, written together with Natascha Van Mechelen, looks at how activation and activity requirements take form in minimum income protection for the non-working able-bodied of working age in the EU Member States. In this chapter, we explicitly take the active inclusion concept introduced by the European Commission (2008a) as benchmark for assessing the type of activation in European minimum income schemes. We apply a fuzzy set ideal type analysis to new institutional indicators of adequacy, services, incentives and enabling policies, and find that all EU member states but one have by now introduced activation policies in their minimum income schemes. However, these activation policies appear far from the active inclusion ideal proposed by the European Commission. In contrast, large part of the EU member states predominantly favours more demanding measures.

In a final, fourth part (Chapter 8), I look together with Bea Cantillon more closely into the relation between minimum income protection for the working and non-working, and discuss how this could inspire further EU social policy advances. More in particular, we look at the adequacy of minimum income protection for the working and non-working population in combination, and take account of the role of minimum wages, additional government support towards working families and financial incentives. We find that EU member states balance
these various aspects of minimum income protection in very different ways. Nonetheless, over the past two decades, financial incentives and additional government support to those in-work have usually gained in importance. We argue that EU indicators should reflect this variation in the balance of minimum income protection. The advantages of such an inclusion of policy input measures, rather than the current explicit focus on social outcomes, are that it would offer a clear, first link between policies and outcomes, at the very least in the national public debate. Furthermore, such an inclusion would make explicit what Social Europe (should) stand(s) for: which minimum do we see as adequate to participate in the EU society?

Finally, I summarize the main findings of this dissertation. I discuss how the different chapters have advanced our knowledge on minimum income protection in the EU and I propose prospects for further research.

**Measuring and analysing minimum income protection institutions with unique data**

The analysis of minimum income protection provisions in this thesis builds on institutional data, in particular detailed descriptions of policies targeted at minimum income protection beneficiaries and standard simulations. The latter are calculations of net disposable income for a hypothetical case according to applicable legal tax benefit rules. Institutional data are extremely valuable as they allow for a timely, objective and accurate assessment of policy intent over time and between nations: they explicitly represent the levers that policy makers can directly impact on.

The institutional data used in this thesis are collected in the Centre for Social Policy’s Minimum Income Protection Indicators (CSB MIPI) data base. CSB MIPI contains standard simulations for five hypothetical households: a single person household, a couple, a couple with two children, a lone parent household with two children, and a lone parent household with one young child. The simulations cover the net income protection package that is minimally guaranteed to each of these family types in different situations: as a single-earner family, with the earner full-time employed at a minimal wage; as a family where the adults are unemployed able-bodied persons of active age, without income or savings, nor sufficient entitlements to social insurance benefits; and finally as a family whose members are of pensionable age, without income or savings and without entitlement to social insurance benefits. For each of these situations, the relevant rights-based income protection measures
were included in the simulations of net disposable income, resulting in functionally equivalent minimum income protection provisions.

In contrast to a more straightforward comparison of the benefit levels supplied by different schemes, the method of standard simulations allows to assess the combined impact of tax and benefit rules relevant for vulnerable families. Technical income and household definitions in means-tests may have far-reaching (intended or unintended) consequences on the final guaranteed net income. Hence, it is a generally accepted way to assess benefit generosity (Bahle et al., 2011; Behrendt, 2002; Gough et al., 1996; Immervoll, 2012b; Immervoll & Scarpetta, 2012; Marchal & Van Mechelen, 2014; Nelson, 2008) and financial incentives (OECD, 2014).

In addition, as the net disposable income is calculated for the same typical family according to the applicable policy rules, differences between countries and over time can only be attributed to policy changes. This close connection with the typical case also means that researchers can assess the basic protection for target groups that may be highly relevant from a policy or theoretical perspective, but that are relatively rare in the population.

We took great effort to design and obtain high quality institutional indicators in CSB MIPI. The indicators are provided by a network of national experts, on the basis of detailed instructions. Experts were asked to fill out a questionnaire on the precise policies and policy reforms that impacted on the net income packages. In addition, the questionnaire inquired after the broader institutional context of the taxes and benefits included. Specifically for minimum income protection for the non-working able-bodied of active age, the questionnaire included a module on activation measures and behavioural conditionalities. The simulation results were validated against international and national sources, and were cross-checked with the national respondents. This procedure ensured extensive and detailed information on the individual country trajectories and policy background.

Furthermore, within CSB MIPI, we aimed to improve upon the simulation of income components that depend on actual expenses. Housing allowances for instance are highly relevant to vulnerable families, and should be included in an assessment of minimum income protection. Yet the actual level of the allowance depends to at least some extent on the rent or housing costs payable. Hence, in order to include this income component, additional assumptions regarding rent levels need to be made. In CSB MIPI, we aimed to base housing allowances on transparent, empirically-based and minimal housing cost assumptions: we asked respondents to base the simulations on rent levels equal to the median (and alternatively
two thirds of the median) rent in each Member State, calculated on the EU SILC and differentiated by apartment size. We explored similar approaches to include heating and child care allowances, although for these allowances, cost assumptions were based on the expert’s judgement of the amount minimally payable for the most common ways of heating and child care.

Self-evidently, it is necessary to keep in mind the limits of standard simulations, both in general, and in CSB MIPI. The heavy reliance on purely hypothetical typical cases means that results are not representative for the population as a whole (Goedemé, 2012; Van Mechelen, Marchal, Goedemé, Marx, & Cantillon, 2011), nor do they give information on the share of the population that benefits from the included income support measures. Results are heavily driven by the researchers’ assumptions regarding income situation and individual and family characteristics. These assumptions should therefore be grounded in a clear research question and theoretical considerations. This heavy reliance on very specific assumptions limits the broader applicability of institutional standard simulations in explanatory analyses of poverty rates or other social outcomes.

This thesis focuses mainly on the minimum income protection arrangements for a single person family, a breadwinner family with two children and a lone parent family with two children, a choice made in the context of the shift towards an adult worker model active welfare state (where each adult who is able to work, is expected to work). Notwithstanding the theoretical and policy relevance of these cases within the broader socio-demographic shifts that occurred over the last decades, we should note the large differences in the representativeness of these family types in the wider EU Member States’ population. The precise differences are reported in the methodological working paper to the CSB MIPI data (Van Mechelen et al., 2011). Whereas in the old EU Member States large parts of the active age population live in any of these family types, this is far less the case for the Eastern European countries, where multi-generation households are more common. Also the assumption that low income families are tenants is far more in line with real-life situations in Western European countries. In Eastern Europe, large parts of the active age population benefits are either owner-occupiers, or live in a dwelling at no cost. Nonetheless, given the aim to capture minimal income situations, these assumptions seem warranted. More detailed discussions of the data used are provided in each chapter, with a specific focus on the details relevant to each analysis.
This thesis builds on CSB MIPI as it offered the possibility to collaborate with an extensive network of national experts who could be consulted for background information on social assistance, minimum wages and minimum income protection for the elderly; to simultaneously collect simulations for three different target groups with a consistent focus on minimal income situations; and to develop activation indicators through the specific module in the questionnaire. Yet, both this thesis and CSB MIPI have benefited tremendously from consultation of and validation with alternative data resources. In particular, the OECD Benefits and Wages model allows to simulate net incomes and income components for working and non-working active age households, at a wide range of income levels, for each year since 2001 (OECD, 2002). The SaMip data provide cross-nationally comparable information on net social assistance packages for three family types, for each year since 1990 for a wide array of countries (see Nelson, 2007a). The EU funded MISSOC data base contains extensive descriptions of the minimum income protection legislation in the different member states (MISSOC, 2015). Additional background information was also available from the EUROMOD country reports (Institute for social and economic research, 2014). In the future, more precise and versatile institutional data can be expected from the EUROMOD household simulation tool (Hufkens et al., 2016).
PART I. SETTING THE SCENE: TRENDS AND VARIATION IN MINIMUM INCOME PROTECTION


Graphs were updated to the most recent version of CSB MIPI.

Abstract

This chapter looks at the level of the minimum income guarantees for out-of-work able-bodied persons at working age and assesses benefit trends since the 1990s, covering 25 EU countries (EU27 except Cyprus and Malta), 3 American States (Nebraska, New Jersey and Texas) and Norway. We assess net disposable income of families relying on social assistance, taking account of the impact of additional non-discretionary benefits such as child benefits and housing allowances. The degree of welfare erosion is measured by three indicators: real benefit trends, benefit trends relative to the development of average wages and benefit trends relative to changes in median equivalent income. A central question in this paper is the extent to which trends in social assistance benefit packages are linked to the statutory mechanism that is being used to adjust benefit levels. We find that most legal systems are insufficient to keep benefit levels in line with the general living standard. The broad picture that emerges is indeed one of eroding benefit levels relative to the general living standard, although the trend is less uniformly negative from 2001 onwards. In the 1990s we see the comparative level of welfare of social assistance recipients decline almost everywhere. In many countries social assistance payments have continued to decrease relative to average wages after 2001, although less uniformly so. In the countries where benefits did keep pace with average wages or median equivalent income, this was generally because governments purposefully increased benefits over and above the evolution of the average living standard, either by a one-time reform, or through subsequent ad hoc raises.
1.1 Introduction

The adequacy of minimum income protection is high on the policy agenda in Europe today. The Europe 2020 Strategy, as agreed by the Council in June 2010, has made the reduction of poverty and social exclusion one of her top priorities. By 2020, the number of people living in poverty should be reduced by 20 million. Poverty is measured here as an aggregate based on three indicators: the financial poverty risk (i.e. the share of households with a net income below 60 per cent of median standardized income), the extent of material deprivation (i.e. households that were unable to afford four out of nine previously determined items) and the number of households with a low work intensity (i.e. households whose members are either jobless or in work for just a few months per year). With the first two indicators the notion of minimum income protection has come to the fore again.

The necessity of minimum income guarantees has been recognized not only in policy circles but also by academic researchers (Atkinson, 2010; Frazer & Marlier, 2009; Nelson, 2013). Declining benefit generosity is often seen as a partial explanation for why poverty in Europe has not decreased over the past decades and why the Lisbon Agenda failed in making any progress on the relative income poverty dimension (Atkinson, 2010; Cantillon, 2011; Vandenbroucke & Vleminckx, 2011). The EU indicators show indeed an elevated and rising poverty risk among the unemployed in Europe. Moreover there is a good deal of evidence that significant retrenchment has taken place in social protection arrangements in many countries, leading to restricted access and reduced benefit levels (Barberis & Baumann, 2010; Kangas & Ritakallio, 2007; Korpi & Palme, 2003; OECD, 2007; Starke & Obinger, 2009). Means-tested social safety nets have not been able to escape this so-called welfare state backlash. Nelson (2013) has demonstrated that the adequacy of social assistance benefits has deteriorated almost continuously between 1990 and 2008, most particularly in the Nordic countries and Central and Eastern Europe.

In this chapter we look at the level of the minimum income guarantee for able-bodied persons in EU-countries, and assess benefit trends since the 1990s. This chapter joins the ranks of a host of previous comparative studies on levels and trends of minimum income protection (Behrendt, 2002; Bradshaw & Finch, 2002; Cantillon et al., 2004; Eardley et al., 1996b; Kuivalainen, 2005; Nelson, 2013; Sainsbury & Morissens, 2002). However we expand on these studies in at least three ways. First, this chapter provides a recent and detailed overview of social assistance benefit trends – detailed, that is, country-by-country. The focus is on cross-country variations rather than on the variation among groups of countries that are
deemed to represent different welfare regimes (like for example in Nelson 2011). In addition, our analyses are based on original data drawn from a large network of national experts. Finally, this chapter aims to shed some light on the extent to which the degree of welfare erosion is linked to the statutory mechanism that is being used to adjust benefit levels. Social benefits that are regularly adjusted by means of wage indexes or baskets-of-goods-and-services, are they less prone to retrenchment than social benefits that are merely linked to a price index? The analysis reveals some dimensions of social assistance benefit trends that have not been fully brought to light in other studies.

The degree of welfare erosion is measured here by three indicators: real benefit trends, benefit trends relative to the development of average wages and benefit trends relative to changes in median equivalent income. Average wages are a standard benchmark to set social benefit levels against (Bradshaw & Finch, 2002; Eardley et al., 1996b; Nelson, 2008). The advantage of using median equivalent incomes as a benchmark is that we will be able to gauge the extent to which minimum incomes now provide more or less protection against poverty than a decade ago. The idea is indeed increasingly gaining ground that adequate minimum income schemes must be set at at least 60 per cent of median equivalent income (European Parliament, 2010; Nelson, 2013).

This chapter is structured as follows. In the following section we briefly describe the assistance schemes selected for this chapter and look at the size of the claimant population. Section 3 presents our data. In section 4, we look at the cross-country variation in social assistance benefit levels in 2009. Section 5 assesses the trends in benefit levels from 1992 to 2009. A final section concludes.

1.2 Social assistance schemes for the able-bodied

European social safety nets emerged within the context of comparatively small and sovereign nation states. Consequently, there cannot be found a single mode of assistance provision. Attempts have been made to map out the differences between (and within) countries with regard to the institutional set-up of and the social rights guaranteed by the minimum income scheme(s) (see for instance Bahle et al., 2011; Eardley et al., 1996b; Frazer & Marluer, 2009; Gough, 2001; Kuivalainen, 2005). These studies generally look at the general social assistance scheme that is open to all people who fall beneath a certain level of income or resources, or use a more encompassing definition of minimum income schemes that also
includes categorical schemes, that target more specific categories among those with insufficient resources (e.g. the disabled or the elderly).

This chapter differs from these studies in at least two ways. First, our purpose is not to provide an encompassing taxonomy of minimum income schemes. Instead, we focus on trends in minimum income benefit levels. Second, the scope of the current chapter is limited to social assistance schemes for the able-bodied of working age. Contrary to the studies mentioned, we have first defined a group at risk (for this chapter, the working-aged able-bodied who fall outside the social insurance scheme and are without a job) and then look at the protection level offered to this group by the applicable minimum income scheme. This approach allows us to compare functional equivalent schemes across countries. Table 1 provides an overview of the schemes selected based on this risk-type approach.

Generally, the needs of able-bodied working aged persons who have not built up sufficient rights to benefit from the unemployment insurance scheme are addressed within a general assistance scheme. However, there are some important exceptions, in which a categorical scheme caters for this target group. In the United Kingdom, Ireland, Germany, Finland and Hungary, there is a specific programme in place for those who are able-bodied but not (or no longer) entitled to contributory insurance benefits. In the first four countries, means-tested support for the able-bodied is incorporated into the unemployment scheme. In Hungary there is a specific scheme aimed at non-able bodied persons as well as those who are no longer entitled to social insurance benefits (e.g. unemployment insurance). However, this scheme offers no protection to all able-bodied persons. Able-bodied people that have never built up a contributory record, are entitled to regular social assistance only after active cooperation with a job centre during at least one year. Greece lacks any sort of general or categorical safety net for the able-bodied. People’s needs are mainly addressed within different categorical schemes, but not for healthy people who are work capable.

In addition, most of the schemes mentioned in Table 1 are determined at the national level. However, some important exceptions exist (for a detailed description, as well as a discussion on the benefits and dangers of this institutional set-up, see Kazepov & Barberis, 2013). In three EU countries social assistance is a regional competence: Italy, Spain and Austria. This chapter draws on social assistance benefit levels in, respectively, Milan, Catalonia and

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4 In Austria the responsibility for both the regulation and the financing of the social assistance scheme was in 2009 still entirely devolved to the regional level, though currently Austria is moving towards a more centralized system (Fink 2009).
Vienna. It should be noted that results cannot be easily extrapolated to Italy, Spain and Austria as a whole. This is especially true for Italy and Spain where regional variations are substantial. In both countries there are numerous regions where the guaranteed minimum income is much less generous than in Milan and Catalonia (Arriba & Moreno, 2005; Rodríguez Cabrero, 2009; Saraceno, 2006). In Sweden and Norway too, the setting of social assistance rates is largely devolved. In both countries municipalities are relatively free to set their own rates although there is a national assistance framework. In Sweden, national guidelines merely define the minimum level of social assistance, while in Norway national guidelines are not even binding. The estimates in the tables below are based on the scale rates prevailing in respectively Stockholm and Oslo. In the US, part of the benefit package is determined at the federal government level. Benefit amounts provided through the Supplemental Nutrition Assistance Program (SNAP) - which provides food budgets to working and non-working families on low incomes that can be spend only in specified stores and on specific food products - are largely set by the federal government even though statutes, regulations, and waivers provide State agencies with numerous policy options. Moreover, within the Temporary Assistance for Needy Families (TANF) programme which provides cash benefits to families with children, the states are also able to determine largely their own course. In addition, the US states are empowered to organise additional social assistance schemes (the so-called general assistance). In some states, families that are no longer entitled to TANF see their SNAP entitlements supplemented with general assistance. Finally, states differ in the degree to which social assistance recipients are required to pay taxes, especially local property and other non-income taxes. Here we present social assistance benefit levels in Nebraska, New Jersey as well as Texas. Nebraska is one of the states where federal schemes are supplemented with comparatively generous state benefits, while Texas is among the states where welfare provisions are limited.

Finally, Table 1 provides an indication for the large variation in size between the minimum income schemes for able-bodied working aged adults. It should be emphasized that these data draw on national sources which differ considerably with regard to the recipient unit (households, versus beneficiaries), the age categories included and the underlying assumptions. Therefore the results in Table 1 are merely tentative or illustrative. According to Table 1, in about half of the European countries less than three per cent of the working age

5 For a detailed discussion on the limits of administrative data on benefit recipiency, see De Deken and Clasen (2011).
population receives a social assistance benefit. The most sizeable social assistance schemes for the able-bodied can be found in Austria, Ireland, Germany, and, most notably, the United States. The SNAP in the United States delivers benefits to more than ten per cent of the working age population. The data for Austria in Table 1 are based on the safety net in Vienna. The percentage of people in receipt of social assistance in Vienna is relatively large, even in comparison with other Austrian provinces. This is largely due to the large (and growing) number of unemployed who receive social assistance as a supplement to social insurance benefits (Fink & Grand, 2009). The countries with the lowest numbers receiving assistance include South European countries like Spain (Catalonia) and Eastern European countries like Bulgaria, Czech Republic, Latvia, Lithuania and Poland.

Table 1. Overview of European social assistance schemes for the able-bodied at working age and their sizes, 2009

<table>
<thead>
<tr>
<th>Country</th>
<th>Scheme</th>
<th>Share in working-age population (15-64 yr)</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT</td>
<td>Sozialhilfe</td>
<td>6.6%</td>
<td>2007</td>
</tr>
<tr>
<td>Vienna</td>
<td>Hilfe zur Sicherung des Lebensunterhalts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BE</td>
<td>Leefloon</td>
<td>2.01%</td>
<td>June 2009</td>
</tr>
<tr>
<td>BG</td>
<td>Месечни социални помощи Monthly social assistance</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>CZ</td>
<td>Hmotná nouze Social need</td>
<td>1.5% of households</td>
<td>June 2009</td>
</tr>
<tr>
<td>DE</td>
<td>Grundsicherung für Arbeitsuchende ALGII: 9.17%</td>
<td></td>
<td>June 2009</td>
</tr>
<tr>
<td></td>
<td>- Arbeitlosengeld II (for persons that are deemed able to work) Sozialgeld: 2.77% (of population younger than 65)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-Sozialgeld</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DK</td>
<td>Kontanthjælp</td>
<td>3.3% of population aged over 18 years</td>
<td>2008</td>
</tr>
<tr>
<td>EE</td>
<td>Toimetulekutoetus Subsistence benefit</td>
<td>2.1%</td>
<td>2009</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(unemployed recipients, excl. pensioners and students receiving benefits)</td>
<td></td>
</tr>
<tr>
<td>ES</td>
<td>Renda minima de inserció (RMI Minimum income for labour insertion)</td>
<td>0.64% of population aged 25-64 years (minimum age for RMI = 25)</td>
<td>Beginning 2010</td>
</tr>
<tr>
<td>Catalonia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FI</td>
<td>Labour market subsidy Social assistance</td>
<td>2.7%</td>
<td>2009</td>
</tr>
<tr>
<td>FR</td>
<td>Revenu de solidarité active</td>
<td>6.4% of total population</td>
<td>2008</td>
</tr>
<tr>
<td>HU</td>
<td>Rendszeres szociális segély and rendelkezésre állási támogatás</td>
<td>3% (total for both forms of the scheme)</td>
<td>2009</td>
</tr>
</tbody>
</table>
Table 1. Overview of European social assistance schemes for the able-bodied at working age and their sizes, 2009 – ctd.

<table>
<thead>
<tr>
<th>Country</th>
<th>Scheme</th>
<th>Share in working-age population (15-64 yr)</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>IE</td>
<td>Jobseeker’s allowance</td>
<td>6.7%</td>
<td>2009</td>
</tr>
<tr>
<td>IT</td>
<td>Minimo Vitale</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>LT</td>
<td>Social assistance benefit</td>
<td>1.6%</td>
<td>2008</td>
</tr>
<tr>
<td>LU</td>
<td>Revenu Minimum Garanti</td>
<td>3% of population aged 18-59 years</td>
<td>June 2009</td>
</tr>
<tr>
<td>LV</td>
<td>Pabalsts garantētā minimālā ienākumu līmeņa nodrošināšanai</td>
<td>1.8%</td>
<td>2008</td>
</tr>
<tr>
<td>NL</td>
<td>Wet Werk en Bijstand</td>
<td>2.5%</td>
<td>June 2009</td>
</tr>
<tr>
<td>NO</td>
<td>Sosialhjelp Oslo</td>
<td>3.36% of population aged 6-66 years</td>
<td></td>
</tr>
<tr>
<td>PL</td>
<td>Temporary social assistance benefit</td>
<td>1.8%</td>
<td>2008</td>
</tr>
<tr>
<td>PT</td>
<td>Rendimento Social de Inserção</td>
<td>5.1%</td>
<td>June 2009</td>
</tr>
<tr>
<td>RO</td>
<td>Legea Venitului Minim Garantat</td>
<td>276,314 households</td>
<td>June 31, 2009</td>
</tr>
<tr>
<td>SE</td>
<td>Ekonomiskt Bistånd</td>
<td>6.3%</td>
<td>2008</td>
</tr>
<tr>
<td>SI</td>
<td>Denarna socialna pomoč</td>
<td>2.88% (+ exceptional sa) 3.16%</td>
<td>June 2009</td>
</tr>
<tr>
<td>SK</td>
<td>Pomoc v hmotnej núdzi</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>Job Seekers Allowance (Income based)</td>
<td>JS: 3.9%</td>
<td>Great Britain May 2009</td>
</tr>
<tr>
<td>US</td>
<td>Families without children: General Assistance and Food Stamps</td>
<td>Food Stamps</td>
<td>Food Stamps: 2010</td>
</tr>
<tr>
<td></td>
<td>Families with children: Temporary Assistance to Needy Families and Food Stamps</td>
<td>Nebraska: 7% New Jersey: 5.5% Texas: 12.5% TANF: (numbers) Nebraska: 18888 New Jersey: 78657 Texas: 114569</td>
<td>TANF: on average for calendar year 2010</td>
</tr>
</tbody>
</table>

Notes: a Figures are not fully comparable. b Rough estimate.

Source: Van Mechelen et al. (2011, pp. 9-10)

This cross-national variation in benefit receipt is due to a variety of reasons, such as differences in the number of (long-term) unemployed, the adequacy of social insurance arrangements, and the design of the social safety net. As far as the design of social assistance
is concerned, Frazer and Marlier (2009) point to the relevance of the accessibility and conditionality of social assistance benefits, as well as the degree of non-take-up. Non-take-up is often caused by stigma associated with social assistance receipt. The restrictive access to assistance presumably plays an important role in explaining the modest reliance on social assistance in Southern and Eastern Europe. As Frazer and Marlier (2009) show, the coverage of assistance schemes in many Eastern Europe countries is small due to the low level at which the means test is set. General social assistance is only open to the very poorest. In addition, social assistance schemes here are largely discretionary. In many East-European countries, as well as in many Spanish regions, the right to social assistance is only a ‘weak’ right (Frazer & Marlier, 2009; Rodríguez Cabrero, 2009).

1.3 Data and methodology

This chapter mainly draws on data derived from a data collection conducted by the Centre for Social Policy (University of Antwerp) through a network of national experts: the CSB-MIPI dataset (for a detailed description of the dataset, the network of experts, methodology, assumptions and limitations, see Van Mechelen et al., 2011). This dataset contains gross time series on various minimum income protection schemes for Norway, three US states and all EU-27 member states, except for Cyprus and Malta. Moreover, net disposable income (including family allowances and housing benefits) is calculated by means of model family simulations. Information on net benefit levels is available for 1992, 2001 and 2009 for most EU15 member states and for 2001 and 2009 for the CEE countries, Finland and Texas, Nebraska and New Jersey. Both the time span and the large number of countries as well as the inclusion of various minimum income schemes, make this dataset one of the more comprehensive datasets in its kind. In this chapter we focus on social assistance benefit levels for the able-bodied.

Using the model family approach full account is taken of taxes, social security contributions, family benefits and housing allowances (on the condition that they are non-discretionary). One of the limitations of this approach is that it does not allow us to fully gauge the living standard of social assistance recipients. Social assistance benefit packages typically also include additional payments for specific costs, in-kind benefits and/or free or subsidized services. Some of these benefits are hard to tackle in comparative research. In-kind benefits such as access to food banks and second hand cloth depots as well as additional cash benefits for specific costs like electricity, water or education are often locally regulated or highly
discretionary. In addition, the financial value of associated rights that aim to reduce costs such as public transport fares and health care charges is difficult to put in numbers, as the use of these services depends strongly on personal needs. This explains why we focus here on the benefit package that consists of basic social assistance payments, income taxes, local property and other non-income related taxes, social security contributions, family benefits and housing allowances. The US figures also include the electronic food stamps provided through the Supplemental Nutrition Assistance Program (SNAP).

The CSB-MIPI dataset is innovative in the sense that it explores new ways to calculate housing allowances that usually depend on housing costs. Assumptions with respect to housing costs are crucial when assessing the generosity of social assistance schemes, as housing allowances tend to constitute a substantial part of net disposable income. Most data on social assistance benefit packages overcome this difficulty by assuming a rented accommodation with rental costs equal to 20 per cent of average earnings, which is assumed to approximate the average level of housing consumption across the OECD countries (Bradshaw & Mayhew, 2006; OECD, 2009c).\textsuperscript{6} The OECD (2004) justifies this housing cost assumption on the grounds that, first, no practical alternatives are obviously preferable, and second, that it is transparent and easily understood. Nevertheless, there are several drawbacks. First, families of different size are likely to spend different amounts to housing while the standard of 20 per cent does not vary by household size (Bradshaw & Finch, 2002). Second, this housing cost assumption does not reflect the typical housing cost of low income families in many OECD countries. Households on minimum income benefits are likely to spend less than the average housing cost. Therefore, the CSB-MIPI data take into account empirically estimated housing costs. They draw on the assumption of a rental cost of two thirds of the median rent paid by households in the respective country. Households without children are assumed to rent a one-bedroom dwelling, households with two children a three-bedroom dwelling. Estimates of the median rent have been based on EU-SILC 2007, uprated with Harmonized Indices of Consumer Prices for housing (actual rentals only) made available by Eurostat. This approach leads to much lower housing cost estimates (and net benefit packages) as compared with the assumption of a rental cost equal to 20 per cent of average earnings. Where information on average housing costs or average housing allowance of social

\textsuperscript{6} Nelson (2007a) uses yet another method. Housing costs are based on the rent levels gathered by Eardley et al. (1996b), who asked national respondents to fix typical rent levels for the most common type of tenure in a town of their country. These estimates refer to 1992, and have been uprated through the ILO rent indices.
assistance recipients is available, it shows that the CSB-MIPI-estimates are somewhat low but closer to the average housing cost than the OECD-estimates (Van Mechelen et al., 2011).

In this chapter we present benefit packages of four model families: a single person household, a couple without children, a couple with two children and a lone parent with two children (seven and 14 year). We take both a cross-national and a cross-temporary perspective. Moreover we assess both cross-country and cross-temporary differences in purchasing power terms as well as in terms of more ‘relative’ measures. In order to compare the purchasing power of benefits cross-nationally, we use Eurostat’s Purchasing Power Parities computed for ‘household final consumption expenditure’ (PPPs). Such PPPs level out the main cross-country differences in currencies and prices. They are based on a relevant basket of goods and services. The purchasing power trends offered by benefits are evaluated through the use of general indices of consumer prices published by ILO. Such indices adjust for the development of prices, also in a basket of goods and services. The more ‘relative’ measures aim to gauge to what degree cross national differences are linked to differences in the average living standard or to what extent benefit levels have followed changes in the average living standard. We use two benchmarks to set minimum income protection against: the net average wage and the median equivalent net disposable income. The latter comes probably closest to our understanding of the average living standard in society as it takes into account the incidence and proliferation of dual earner families. Comparisons between changes in benefit packages and median equivalent net income are also particularly important for assessing the degree to which benefits gain or lose potential to lift households out of poverty (Van Mechelen et al., 2011).

1.4 Social assistance benefit levels in 2009

The key objective of the schemes outlined above is to provide sufficient resources to those who have insufficient means of subsistence. Clearly views on what are sufficient resources are strongly related to the ideas and norms about what constitutes poverty. In its resolution of 20 October 2010 on the role of minimum income in combating poverty and promoting an inclusive society in Europe, the European Parliament ‘takes the view that adequate minimum income schemes must set minimum incomes at a level equivalent to at least 60% of median income in the Member State concerned’ (European Parliament, 2010). The European at-risk-of poverty line is thus put forward as a reference point to assess the adequacy of benefit levels despite the fact that the debate on whether this operationalization of poverty is appropriate has
been revived recently as a result of the enlargement of the EU to the east (Fahey, 2007; Goedemé & Rottiers, 2011). Other, more relevant, benchmarks might exist, for example minimum budget standards. Minimum budget standards reflect the monetary value of baskets of goods and services which would correspond to the minimum acceptable way of life in society (Storms & Van den Bosch, 2009). However, since no EU-wide budget standards exist we assess the adequacy of social assistance benefits in the EU-member states against the at-risk-of poverty threshold (see Figure 1).

Social assistance benefit packages (including non-discretionary housing allowances and child benefits but excluding in-kind benefits and associated rights) are inadequate in protecting against poverty almost everywhere. Benefit levels are above the European poverty line only in Ireland (for single person households; before cuts were enacted in 2010) and in Denmark (for couples). In the remainder of the EU Member States social assistance benefit packages today are insufficient to protect benefit recipients and their households against poverty. In the Netherlands, Luxembourg, Austria (Vienna), but also in Latvia benefit levels tend to lie between 40 per cent and 50 per cent of equalized median household income. In the majority of countries social assistance payments are usually below 40 per cent of median income, though there is generally considerable variation among family types. This is even the case in richer Member States such as Belgium, Germany, France, Finland, Sweden, and the United Kingdom. In the Slovak Republic, Estonia, Bulgaria and Romania, benefit levels are typically set below half the poverty line. Our data confirm and reinforce the picture presented by other studies: social assistance is inadequate for poverty alleviation in most countries (Bahle et al., 2011; Immervoll, 2009; Nelson, 2013). Cantillon (2011) has identified several factors explaining why the lowest benefit levels are far below the European poverty line in many member states: disagreement on the definition of adequate minimum income, the budgetary burden of providing larger assistance benefits, concern over the tension between benefits and minimum wages and negative work incentives, etc.

Figure 1 also shows that families with children tend to be treated differently as compared to childless families. Most social assistance schemes provide extra amounts of money to families with children. In addition, social assistance claimants with children are usually entitled to means-tested and/or universal tax benefits and/or cash benefits. Child benefit packages of social assistance recipients are typically more generous than implied by the equivalence scale used to calculate the poverty line. As a consequence, net incomes of social assistance recipients in families with children are often higher relative to the poverty threshold than for
single persons though there are some important exceptions (Ireland, the Netherlands, Belgium, Latvia, France, Spain, and Norway).

The (in)adequacy of social assistance is strongly related to the benefit levels in purchasing power terms (Nelson, 2013). As Figure 1 shows, in most CEE countries net income of assistance claimants are low not only relative to the poverty line, but also in more absolute terms. Moreover, CEE countries where social assistance benefits are relatively high as a percentage of median income, like Latvia and the Czech Republic, move down the rankings of countries in terms of purchasing power parities. Social assistance is also extremely low in the United States. In purchasing power terms, benefit levels are comparable to those in the CEE countries; in the case of Nebraska to the more generous ones like Latvia and the Czech Republic, in the case of New Jersey and Texas to those in the Slovak Republic and Estonia.

Figure 1. Net social assistance benefit package for two able-bodied working-aged model households, 2009

Note: In some countries, such as the US, Italy and Bulgaria, time limits apply, either formal or discretionary. In order to avoid additional assumptions, the levels displayed do not take these time limits into account.

1.5 Social assistance benefit levels: trends

To what extent is the inability of social assistance schemes to provide adequate protection against poverty the result of benefit erosion during the past two decades? In principle trends in social assistance benefit levels are expected to be largely reflective of the statutory adjustment mechanism. In countries where benefit levels are linked to a price index, social assistance benefits may be expected to remain fairly stable at least in real terms. However, when wages grow faster than prices (as was the case in most countries until before the crisis), benefit levels subjected to such price-linking mechanisms may be more prone to welfare erosion than benefit amounts that are regularly adjusted to wage developments. This section first discusses the main statutory adjustment mechanisms for social assistance benefits that are applied in the EU and the US. Next, we look at the actual trends in benefit levels during the 1990s and, subsequently, during the 2000s. In the latter section, we attempt to shed some light on the impact of statutory adjustment mechanisms.

1.5.1 Indexation rules

Various mechanisms exist to increase or adjust benefit levels. Veit-Wilson (1998) identifies three broad categories. First of all, countries may rebase benefits. In a number of countries benefit levels are explicitly linked to a basket of goods and services. Every few years this basket may be re-assessed, for example, to correspond better to the minimum acceptable way of life in society. Secondly, benefits can be updated. This means that their level is kept in line with a previously specified index, like a price index or wage index. Thirdly, uprating refers to governments deliberately deciding to change benefit levels, independent from the index. Table 2 gives an overview of the systems that are being used for rebasing and updating benefits in 24 countries as of 2008.

In just seven countries there is no statutory adjustment mechanism for social assistance benefits whatsoever, as the development entirely depends on ad hoc decisions (Ireland, Bulgaria, Estonia, Latvia, Lithuania, Poland and the Slovak Republic).

In the majority of countries the principle of keeping social assistance amounts in line with cost of living is put into practice by linking benefits to a price-index. In most countries there is a direct price-index linking of benefits (Norway, Sweden, Belgium, Czech Republic, 

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7 After the full onset of the crisis, many countries issued (temporary or permanent) changes to their regular indexation practices. These measures are discussed in part II of this thesis.
France, Romania, Slovenia, UK and the US). There is considerable cross-country variation in the composition of this price index (for example, the United Kingdom benefits are uprated according a price index that excludes housing costs), in the thresholds that have to be crossed before indexation occurs or in the period between price adjustments, whether indexation occurs automatically or not, etc.

Table 2. Statutory adjustment mechanisms relating to social assistance benefit standards in selected countries, 2008

<table>
<thead>
<tr>
<th></th>
<th>No regular adjustments or no statutory basis</th>
<th>Price index</th>
<th>Wage index</th>
<th>Basket of goods</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT (Vienna)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Pensions(^d)</td>
</tr>
<tr>
<td>BE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BG</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CZ</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DE</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>DK</td>
<td></td>
<td>X(^c)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EE</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Pensions(^d)</td>
</tr>
<tr>
<td>FR</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HU</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Minimum old-age pension(^f)</td>
</tr>
<tr>
<td>IE</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LT</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LU</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Minimum wage(^f)</td>
</tr>
<tr>
<td>LV</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NL</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td>Net minimum wage(^f)</td>
</tr>
<tr>
<td>NO</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PL</td>
<td>X(^h)</td>
<td></td>
<td></td>
<td></td>
<td>Social pension(^i)</td>
</tr>
<tr>
<td>PT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RO</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SE</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SI</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SK</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X(^i)</td>
</tr>
<tr>
<td>US (Food Stamps)</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Notes: a AT: pensions are indexed in line with prices; b BE: the adjustment index (‘health’ index) disregards costs of alcoholic drinks, tobacco products and fuel; c DK: the adjustment index (satsreguleringsprocenten) is predominantly based on wage development in the private sector; d FI: the earnings-related pension index is composed of both changes in the price level (weight of 80%) and in the earnings level (weight of 20%). Benefit amounts are also regularly reassessed on the basis of consumer behaviour; e HU: since 2009 minimum old age pension is partly adjusted to wage development but only when GDP growth is above 3% and only if the governments decides so. Before 2009 benefits were linked to predicted increases in consumer prices and average earnings; f LU: the minimum wage is automatically adjusted to price movement. Every two years, the amount of the minimum wage is revised, (possibly) leading to additional increases; g NL: the minimum wage is linked to movements in contractual wages; h PL: In principle, benefit rates should be reviewed every 3 years in line with the costs of living of the 1st income quintile. However, this is not stipulated in the law; i PT: the social pension is updated annually – since 2006 – and takes into account the price development and economic growth; j UK: the Rossi index disregards the cost of housing. Remark: NO and SE: the adjustment mechanism applicable for the benefit level defined in the national guidelines. ES and IT: n.a.

Sources: European Commission, 2011b; OECD, 2009b, 2010; Social Protection Committee, 2006; UNION Biztosító, 2011; Van Mechelen, 2010

In Germany, Hungary, Finland, Luxembourg and Portugal, this price index is combined with a measure that aims to keep benefits in line with the general living standard, rather than with the cost of living alone. Moreover, in the latter three countries, benefits are only indirectly linked to inflation. Reference is made to old age pensions or minimum wages. Pure wage indexation is only applied in the Netherlands and in Denmark. Here too, there is considerable variation in the construction of the index: in the wage components that are included, in the economic sectors that are taken into account, whether wage development is fully or only partially taken into account, etc.

Rebasing (in addition to regular indexation) occurs mainly in the Scandinavian countries and Germany. The selection of goods and services that are included in the basket can be either normative or based on consumer surveys. In practice it is often a combination of both.

1.5.2 1992-2001 - ‘Old’ EU member states

The dominant picture during the 1990s is one of social assistance benefit levels that increased enough to ensure steady purchasing power but not nearly enough to keep up with the movement of average wages. This picture draws on data for the so-called old EU member
states, plus Norway. Only for this set of countries, the CSB-MIPI dataset provides net benefit packages in 1992. As Figure 2 shows, social assistance benefits kept up with wage growth in only four countries: Denmark, Italy, and to a lesser degree, France and Luxembourg. Most striking is the markedly strong increase in social assistance benefits in Denmark (at least for a couple with two children), due to fundamental reforms of the tax and benefit system. The Italian data are based on the benefits actually received by social assistance claimants in Milan. These estimates are below the formal benefit rates in Milan but have grown substantially since 1992. It is hard to assess how representative this trend is for Italy as a whole. However, it is certainly the case that the Italian welfare system has undergone a fundamental transformation during the second half of the 1990s. An experimental minimum income scheme was launched in 29 municipalities and later enlarged to another 270 municipalities (Saraceno, 2006). The aim was to introduce a nation-wide general social safety net. However, in 2002 the newly elected government ran by Berlusconi declared against this idea and decided not to continue the ongoing experiment (Minas & Øverbye, 2010).

In the majority of West-European countries the nineties are marked by a significant erosion of social assistance benefits. Compared with average wages, they lagged most significantly behind in the Netherlands, Norway, Sweden, Ireland and the United Kingdom. Although we lack data on the trend in net social assistance benefit packages in Finland, the development of gross benefit rates vis-à-vis gross average wages suggest that in Finland too, welfare erosion during the 1990s was quite substantial (Van Mechelen, Marx, Marchal, Goedemé, & Cantillon, 2010).

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8 Greece is not included as there is no assistance scheme for the able-bodied. Portugal is not included as its general assistance scheme was introduced only in 1996.
Figure 2. Trends in net social assistance benefits packages, 1992-2001, Western European countries

Panel A. Single

Notes: The ratio between the net disposable income of a household on social assistance and that of a one earner household on average earnings (net = including income taxes, local property and other non-income taxes, social security contributions, child cash benefits and housing allowances). Data for a single person household are missing for DK.

Source: CSB-MIPI (Van Mechelen et al., 2011), consumer price indices from Eurostat (2015)
1.5.3 2001-2009 – ‘Old EU Member States’

In many West-European countries social assistance benefits continued to decrease after 2001, at least if one compares with net average wage. In Finland, Norway, Sweden and France assistance payments grew at a slower pace not only than wages but also than median equivalent household income. This means that benefit levels became less adequate as an anti-poverty device. In most of these countries, social assistance benefits were below 60 per cent of median equivalent income already in 2001. In the course of the past decade, benefit rates moved further away from this poverty line. Nevertheless except for France these countries have adjustment mechanisms that take account of more than price indexation. In Finland, Sweden and Norway benefits are regularly re-assessed on the basis of a basket of goods and services. However it appears that in none of these countries rebasing has been used to keep benefit amounts in line with the European poverty threshold. In contrast, changes in the ‘shopping’ basket have occasionally been used to down-rate rather than up-rate benefits (Nelson, 2008).

In contrast to the 1990s, there is no general tendency to welfare erosion since 2001. Belgium, Ireland, Denmark and the Netherlands saw their benefits rise faster than net average wages and median equivalent income between 2001 and 2009, after years of benefit erosion. Also in Portugal the level of the social assistance benefit package kept up with the development of both average wages and median equivalent household income. The positive developments in Denmark, the Netherlands and Portugal are mainly the result of favourable indexation rules (though in the period 2003-2005 Dutch social assistance benefits were frozen out of fear that strong wage growth would translate into increasing social expenditure). In Belgium and Ireland benefit levels increased more strongly than required according to the statutory adjustment mechanism. The stark increase in Ireland is a consequence of the governments’ engagement in 2002 to combat poverty (DSCFA, 2002). In Belgium, attention has increasingly been focused on the welfare evolution of social benefits as evidenced by the fact that since 2009 every two years the government sets an amount of resources that can be spend to adjust benefits to welfare evolution. However there is no statutory mechanism that determines which social benefits will be increased and by how much. This is decided through collective agreement. In Germany, the Hartz IV reforms of 2005 went accompanied by a substantial increase in assistance payments for the able-bodied. Nevertheless, it remains unclear whether this reform also improved the actual level of welfare enjoyed by benefit recipients. Since the Hartz IV reforms low income households that are work capable are no
longer entitled to general social assistance (‘Sozialhilfe’), but they can claim a means-tested unemployment benefit (‘Arbeitlosengeld II’). The level of this unemployment benefit is substantially higher than the basic amounts formerly paid in social assistance. The extra amount was introduced mainly to compensate for the abolishment of supplementary benefits (for specific expenses like schooling costs, medical costs, etc.) that were regulated and financed by the municipalities. Given that the level of supplementary benefits varied considerably according to municipality, the effect of the Hartz reforms on the level of the total social assistance benefit package also varied. The introduction of ‘Arbeitslosengeld II’ is likely to have caused an increase of the benefit package for able-bodied persons in the municipalities that belonged to the less generous category while it has caused welfare erosion in the more generous municipalities. The 2001 figure here is based on the average social assistance benefit rate in all Länder.

In the United Kingdom assistance payments for able-bodied people with children have grown more rapidly than for people without children thanks to increases outside of the statutory system. For families with children, the adequacy of benefit levels has increased since 2001 (as compared with the EU poverty line) whereas for childless households it has deteriorated. In Austria (Vienna) and Spain (Catalonia) too, the welfare development of social assistance benefits varies substantially according to family type. Here the picture for families with children is less favourable than that for families without children. The trends in the UK and Austria – but also France (see above) – show that price indices are generally not sufficient to prevent welfare erosion, at least not in the pre-crisis era. When the standard of living rises more steeply than the overall price level, price linking does not result in benefits evolving in line with overall prosperity in society. No information on the indexation rules underlying the benefit changes in Catalonia was available.

A general conclusion is that statutory adjustment mechanisms often fail to keep benefit levels in line with the European poverty line. Even in countries where prices indices are combined with rebasing mechanisms, social assistance benefit packages tend to decline compared to median income. Adjustment mechanisms based on a basket of goods do not guarantee that amounts keep up with the general level of welfare. They rather establish a link with a normative framework regarding the living standard of households that rely on minimum benefits. Linkage to a wage index is usually superior to price indexes from an anti-poverty point of view (as wages tend to grow faster than prices). However, even adjustments to wages do not always guarantee that benefits stay in line with median income due to at least two
reasons. First, wage indexes are typically based on the earnings in a specific segment and not the entire labour market (for example only private sector wages). Second, changes in median income not only depend on wage developments but also on factors such as trends in household joblessness and the development of multi-earnership. Third, indexation mechanisms can be easily bypassed, for example by temporarily freezing wage adjustments (as happened in the Netherlands) (Cantillon et al., 2004).

Because of the deficiencies of most adjustment mechanisms, frequent policy interventions are required in order to prevent welfare erosion. In the countries where benefits were kept in line with the average living standard, this was generally because governments (consciously) increased benefits over and above the evolution of the average living standard, either by a one-time reform, or through subsequent ad hoc raises. Conversely, benefits cuts are not always necessary to reduce relative benefit levels. Non-intervention may lead in itself to a widening welfare gap.

1.5.4 2001-2009 – ‘New’ EU Member States

In Central and Eastern Europe too, there appears to have been considerable cross-country variation in benefit trends since 2001. There was a remarkable upsurge in social assistance benefit levels in Romania, Hungary, Latvia, Lithuania and Slovenia, not only in real terms but also in comparison to net average wage and median equivalent household income. Increases are not due to indexation mechanisms but have often been prompted by major reform moments. Both Slovenia and Romania reformed their social assistance schemes at the start of the decennium. The Romanian reform, framed in an anti-poverty strategy, tripled social assistance benefits (Vilnoiu & Abagiu, 2003). However, since this reform, benefit levels constantly decreased in real terms. Statutory price adjustments were only introduced in 2006/2007. In addition, benefits have recently been uprated as an anti-crisis measure. The Slovenian reform took place in 2001. This reform aimed at restricting behavioural conditions as well as at increasing social assistance benefits. Between 2001 and 2003 gross benefits increased by 41% in real terms. Since then, benefits remained quite stable in real terms thanks to the legal price linkage. Hungary reformed its social assistance scheme twice the last decennium, once in 2006 and once in 2009. The 2006 reform raised benefit levels; the 2009 reform introduced a stand-by allowance for persons deemed employable. In Latvia and Lithuania there have been no radical welfare reforms between 2001 and 2009. However
benefit levels have increased substantially due to ad hoc (i.e. not linked to the statutory adjustment mechanism) government decisions.

Figure 3. Trends in net social assistance benefits packages, 2001-2009, Western European countries

Panel A. Single

Panel B. Couple with two children

Notes: Relative to net disposable income at average wage: The ratio between the net disposable income of a household on social assistance and that of a one earner household on average earnings (net = including income taxes, local property and other non-income taxes, social security contributions, child cash benefits and housing allowances). Data on median equivalent income for 2001 are based on ECHP for most countries, and a variety of data sources for the Eastern EU member states. For 2009, all data are based on EU-SILC, which uses a partially different income concept.

Source: CSB-MIPI (Van Mechelen et al., 2011), consumer price indices and median equivalent household incomes from Eurostat (2015)
By contrast, social assistance recipients in Estonia, Poland, the Czech and the Slovak Republic saw their relative living standard decline. In two of these countries social assistance payments even lagged behind price movements. In the Czech and the Slovak Republic there have been intentional reforms that have cut back social assistance benefit levels. The Slovak Republic reformed its social assistance scheme in 2004. Social assistance has since consisted of one low basic allowance, that can however be supplemented by several categorical top-ups, that are generally conditional. For instance, the activation allowance that tops up the basic allowance is dependent on subscribing as an unemployed jobseeker and upon participation in activation programmes. Likewise, the allowance for parents with children is conditional on the children actually attending classes. For families that receive only the basic allowance plus health care supplement (i.e. the unconditional components of the social assistance benefit package) income support was severely cut down (see Figure 4). The Czech Republic introduced a new scheme of housing allowances for low income families in 2007, which replaced the housing allowance formerly provided through the social assistance scheme. This reform resulted in a real decrease of benefit levels for several family types. The strong decline in the value of minimum income protection in Estonia and Poland is not the result of cuts in benefits. Both countries lack a statutory indexation mechanism but benefit levels are regularly increased through ad hoc decisions. These increases are usually sufficient to keep benefit levels in line with price evolutions but not with the strong growth in wage and median income.
Figure 4. Trends in net social assistance benefits packages, 2001-2009, Central and Eastern European countries

Panel A. Single

Panel B. Couple with two children

Notes: RO: real increase for a single person household was 235%, for a couple with two children 297%. Increase relative to net disposable income at average wage was 129% for a couple with two children. Relative to net disposable income at average wage: The ratio between the net disposable income of a household on social assistance and that of a one earner household on average earnings (net = including income taxes, local property and other non-income taxes, social security contributions, child cash benefits and housing allowances). Data on median equivalent income for 2001 are based on ECHP for most countries, and a variety of data sources for the Eastern EU member states. For 2009, all data are based on EU-SILC, which uses a partially different income concept.

Source: CSB-MIPI (Van Mechelen et al., 2011), consumer price indices and median equivalent household incomes from Eurostat (2015)
In the United States too there has been no uniform pattern since 2001. First of all, there have been differences in trends across states. In states where childless families on low income mainly receive food stamps (like in Texas), the relative position of social assistance recipients without children has usually improved. This is a result of the increases in SNAP benefit levels in response to the economic crisis. By contrast, in New Jersey where families without children can receive general assistance as well as food stamps, cuts in general assistance payments have resulted in decreasing social assistance benefit packages. In addition, there have been differences across family types. The picture for families with children is usually more favourable than the one for families without children. On the one hand, social assistance recipients with children have not only benefited from the increases in SNAP entitlements; many states (like Nebraska, New Jersey as well as Texas) have also increased TANF benefit levels. On the other hand, general assistance payments for families without children have often remained stable in real terms (for example in Nebraska) or have even been reduced (for example in New Jersey).

Figure 5. Trends in net social assistance benefits packages, 2001-2009, selected US states

Note: N: Nebraska, NJ: New Jersey, T: Texas

Source: CSB-MIPI (Van Mechelen et al., 2011), consumer price indices from Eurostat (2015), median equivalent household income from U.S. Bureau of the Census and Bureau of Labour Statistics (2011)
1.5.6 Discussion

The broad picture that emerges is one of eroding benefit levels relative to the general living standard, although the trend is less uniformly negative from 2001 onwards. In the 1990s we see the comparative level of welfare of social assistance recipients decline almost everywhere, at least in the EU15 countries for which we have data spanning the entire period. In many countries social assistance payments have continued to decrease relative to average wages after 2001, but there are a substantial number of exceptions. Social assistance payments seem to have gained ground in countries as diverse as Romania, Hungary, Latvia, Lithuania, Slovenia, Belgium, the Netherlands, Portugal and Ireland.

The poverty standstill in the 1990s and 2000s and thus the failure of the Lisbon agenda on poverty and social inclusion may come as no great surprise against the background of the erosion of social assistance benefit levels. But even more important was the fact that the erosion of social assistance benefits was part of a general welfare state backlash which also affected the access, generosity and conditionality of various social insurance programmes (Barberis & Baumann, 2010; Kangas & Ritakallio, 2007; Korpi & Palme, 2003; OECD, 2007; Starke & Obinger, 2009). The impact on poverty of social assistance benefit levels alone is after all modest due to several reasons (Cantillon & Van Mechelen, 2012). In most countries the role of social assistance in the overall protection system is marginal as income protection is primarily provided through social security programmes. As shown in Table 1, the share of social assistance claimants in the working age population is usually less than three per cent. Moreover, as social assistance benefit levels tend to be below 60 per cent of median income their relevance in explaining poverty trends (as measured by this poverty line) is inherently limited. They are more likely to have an impact on the poverty gap, or on non-financial measures of poverty like material deprivation (Nelson, 2012). Finally, the adequacy of assistance schemes does not solely depend on benefit levels but also on the accessibility and conditionality of the scheme and the degree of take-up. The increased focus on labour market activation therefore may have played a part too in the disappointing poverty trends, at least to the extent that it has resulted in the exclusion of those that do not comply with the increasingly stricter and strictly enforced training, job search and work requirements from income support (Cantillon, 2011).
1.6 Conclusions

Tackling poverty is at the centre of the EU2020 strategy. However, many EU Member States still fail to provide adequate protection against low income. First and foremost, not all EU countries have a social safety net that provides cash benefits to all needy people. This chapter has focused on minimum income schemes for the able-bodied of working age. Such schemes are non-existent in a number of countries. For example, Greece lacks any sort of general or categorical safety net for this population group. The Hungarian protection system covers only part of the needy but healthy people of active age. Moreover, levels of minimum income protection are inadequate almost everywhere, if measured by the standards of the European Parliament, i.e. 60 per cent of median equivalent income.

The inadequacy of minimum income protection has even worsened during the past decades. In many countries assistance payments have not kept up with the development of average wages and median equivalent household income. However, net social assistance benefit levels have by and large eroded less over the last decade than during the preceding decade. While the overall picture for the 1990s was one of almost uniform erosion of benefit levels relative to average wages, at least for the EU15 countries for which we have data spanning the entire period, the picture is less uniformly negative from 2001 onwards. Although benefit levels have not kept pace with wages in all EU member states, assistance payments seem to have gained ground in a substantial number of countries, including Romania, Hungary, Latvia, Lithuania, Slovenia, Belgium, the Netherlands, Portugal and Ireland.

This chapter has looked at the role of statutory adjustment mechanisms in the development of benefit levels. It appears that most legal systems are quite insufficient to keep benefit levels in line with the general living standard. In the countries where benefits did keep pace with average wages or median equivalent income, this was generally because governments (consciously) increased benefits over and above the evolution of the average living standard, either by a one-time reform, or through subsequent ad hoc raises. Price linkage has often failed to prevent benefits from deteriorating, especially in the pre-crisis era when the standard of living tended to rise more steeply than the overall price level. Wage indexes are superior to price indexes when it comes to countering benefit erosion. However, as we have seen, even adjustments to wages do not always guarantee that benefits stay in line with the poverty line.

The question of what is the best adjustment system is of course part of the discussion on what is the most appropriate way of defining an adequate minimum income. This chapter has used
60% of median equivalent income as a reference point. A direct linkage of benefit levels to the development of median household income seems to be an obvious option if measures of relative income poverty are used to assess the adequacy of minimum income protection. However, other, more relevant, benchmarks might exist, for example a minimum budget standard. In this case, the budget standard could be used to rebase benefits every few years, in combination with more regular adjustments on the basis of price or wages indexes. But, as the experience in a number of Nordic countries shows, in the case of rebasing it is important to ensure that the basket-of-goods-and-services accurately reflects the underlying views on the needs that must be fulfilled in order that people could lead a life compatible with human dignity. If not, there is a real danger that rebasing might be used to decrease the level of minimum income protection.
Chapter 2: Mind the gap: net incomes of minimum wage workers in the EU and the US


Graphs were updated to the most recent version of CSB MIPI.

Abstract

This paper focuses on the role of minimum wages, in conjunction with tax and benefit policies, in protecting workers against financial poverty. It covers 20 European countries with a national minimum wage and three US States (New Jersey, Nebraska and Texas). It is shown that only for single persons and only in certain countries do net income packages at minimum wage level reach or exceed the EU’s at-risk-of-poverty threshold, which is set at 60 per cent of median equivalent household income in each country. For lone parents and sole breadwinners with a partner and children to support, net income packages at minimum wage are below this threshold almost everywhere, usually by a wide margin. This remains the case despite shifts over the past decade towards tax relief and additional income support provisions for low-paid workers. We argue that there appear to be limits to what minimum wage policies alone can achieve in the fight against in-work poverty. The route of raising minimum wages to eliminate poverty among workers solely reliant on it seems to be inherently constrained, especially in countries where the distance between minimum and average wage levels is already comparatively small and where relative poverty thresholds are mostly a function of the dual-earner living standards. In order to fight in-work poverty new policy routes need to be explored. The paper offers a brief discussion of possible alternatives and cautions against ‘one size fits all’ policy solutions.
2.1 Introduction

People who devote much of their waking time to paid work, often combining it with care, ought not to be poor. Yet financial poverty is a reality for some workers. In the European Union, poverty affects from 5 to 15 per cent or more of people whose main activity is paid work. It also affects their families. A long-standing issue in the United States, concern about in-work poverty is now also mounting in Europe. The past few years have seen a rapid rise in the number of academic publications dealing with in-work poverty within the European context (Andreß & Lohmann, 2008; Crettaz, 2011; Fraser, Gutiérrez, & Peña-Casas, 2011; Nolan & Marx, 2000). At the policy level, too, a growing awareness is evident. In its report on ‘Employment and Social Developments in Europe’, the European Commission (2011a) states: ‘Although it is clear that, while employment is the most important factor in preventing poverty, it is also true that the phenomenon of monetary in-work poverty is nonetheless all too real’.

This recognition is certainly important given that policy efforts at the EU level and also in many countries have become strongly focused on increasing the number of workers and reducing the number of people reliant on transfers. Boosting employment levels was at the heart of the Lisbon Agenda (Cantillon, 2011). The ambitious Europe 2020 employment targets show this drive to be undiminished. Further increases in labour force participation will involve drawing into the labour market those with weaker education and work history profiles. Simulation studies indicate that further increases in employment are unlikely in themselves to reduce relative poverty, given current institutional settings and supports (Marx et al., 2012).

In this context it is clearly relevant to look more closely at the institutions and provisions that help to ensure minimum income protection to workers. Minimum wages, as imposed by law or through collective bargaining, constitute an important pillar of direct minimum income protection for workers. Historically, ensuring ‘fair wages’ has been as important an objective but in this paper we consider minimum wages mainly from the perspective of their role in ensuring minimally acceptable living standards to people solely or mainly reliant on earnings.

When one is interested in net disposable incomes of workers at the lowest end of the income distribution it is not enough to look only at gross minimum wage levels and trends, the usual focus in the extensive labour economics literature on this subject. One also needs to take into account the impact of taxes, social security contributions and possible additional benefits,
such as child benefits. Taking all these components into account, it is possible to obtain a better approximation of the net income packages that minimum wage workers in various household situations would receive. In this paper, we assess the level of these minimum income packages against the poverty threshold. In addition, we consider trends over the last decade, both in the overall packages and in the constituent components. A final section of this paper is devoted to a discussion of whether and how minimum income protection for workers could be improved.

2.2 Context: low pay and in-work poverty

This section briefly covers two key contextual issues. First, is there evidence that earnings and living standards of European workers are under pressure and, second, is there evidence that, as a possible consequence, in-work poverty is (potentially) on the increase?

2.2.1 Are wages under pressure?

While higher educated workers appear to be benefiting from economic globalization and technological advances, less skilled workers are seen to be losing out, especially in richer countries, where they are comparatively costly. Research by labour economists shows that this picture of a uniform shift away from low skilled work needs nuance (Autor et al., 2003; Goos, Manning, & Salomons, 2009). Studies show that there is growth in employment in both the highest-skilled (professional and managerial) and lowest-skilled occupations (non-exportable personal services), with declining employment in the middle of the distribution (manufacturing and routine office jobs).

Turning to the supply side, an increased policy emphasis on increasing effective labour market participation has become evident in many European countries, certainly at the level of rhetoric, and gauging by some indicators also in terms of actual policy (Barbier & Ludwig-Mayerhofer, 2004; Kenworthy, 2008; Weishaupt, 2013). Within the broad set of activation strategies deployed, an important number specifically target the long-term unemployed, including social assistance recipients. Some measures specifically aim to stimulate people to accept relatively low-paid/minimum wage level jobs. In the case of Belgium, for example, the main activation measure for social assistance recipients is a public employment scheme offering minimum wage level jobs. There are other countries where similar subsidized or publicly financed jobs exist (OECD, 2007). Employment subsidies and employers’ social
security contribution reductions also generally aim to stimulate the creation and take-up of relatively low-paid, or at least minimum-wage level, jobs.

The OECD’s low pay database, the most widely-cited source of comparative data on the extent of low pay, shows the proportion of low-wage workers in rich countries ranging from around one in twenty in Sweden to around one in four in the United States (OECD, 2006). Although a clear demarcation is often assumed to exist between the Anglo-Saxon countries and the Continental European the evidence does not support this. Nor is it the case that low-paid work has necessarily increased most in the less regulated, more service-intensive economies: it has remained relatively steady (at a high level) in the US, and though increasing in the UK this was proportionally by not much more than for example in the Netherlands (Lucifora & Salverda, 2008). In fact, the OECD database suggests that the largest increases in low pay (for full-time workers) have taken place in countries like Denmark, Germany and Poland.

There is as yet also no systematic research available linking low pay trends with the intensity of activation efforts, in part because actual activation intensity is so difficult to quantify. In the case of the Netherlands, where activation efforts have been fierce, there is evidence of an increase in low-paid work (Salverda, Van Klaveren, & van der Meer, 2008). In the German case, drastic labour market and social security reform has coincided with a rise in low-paid work (Bosch & Weinkopf, 2008; Kenworthy, 2011).

2.2.2 Is in-work poverty on the increase?

According to Eurostat figures, which are drawn from EU SILC, the extent of in-work poverty in EU member states ranges from a low of four to five per cent to upwards of 15 per cent. The definition used here is one based on individual employment status (in work for most of the year) and household income situation adjusted for household size and composition. Persons “at risk of poverty” live in households with a disposable income below 60 per cent of the median income in their own country.

Eurostat figures also suggest that in the period 2000 to 2009, in-work poverty increased by more than one percentage point in Denmark, Germany, Spain, Romania, Sweden and the UK, but fell in as many countries. Thus there is no evidence of an overall increase over that period. Steady poverty risks for workers in the context of rising employment rates do however imply an increase in the number of working persons in poverty. There is also a significant overlap with child poverty (Van Mechelen & Bradshaw, 2013).
When thinking about minimum income protection for workers it is essential to understand how low-paid work and in-work poverty interrelate. Various studies have demonstrated that the overlap between low pay and poverty is weak – in the order of five to ten per cent in most industrialized economies (Marx & Nolan, 2014). This is because poor households generally do not contain an employee, whether low-paid or not, while most low-paid workers live in households with more than one earner. A crucial influence is thus the extent to which the household relies on the earnings of this low-paid worker. Particularly for low-paid women and young people, their earnings most often constitute a secondary or even tertiary source of income for the household. In some cases, accepting a low-paid job helps to lift household income above the poverty threshold (Gardiner & Millar, 2006). Low-paid workers who are not primary earners are often reasonably high up the household income distribution.

Households that are classified as working poor generally rely on comparatively low earnings, though not necessarily below conventional low pay thresholds. The core of the working poor consists of workers who are sole earners – generally with a low earned income - and have a family to support. Even a job paid well above the minimum wage may not suffice to meet household income needs, depending on the extent of those needs and the other sources of income available to the household.

What matters is the combined labour market position of household members. Having only one earner in the household has become a poverty risk in an era in which the average living standard, and hence the relative poverty threshold, is increasingly determined by the dual earner living standard. This helps to explain why in-work poverty is pervasive across Europe, and why its extent does not simply reflect the size of the low-wage sector. In-work poverty is thus a problem associated with a variety of institutional factors (e.g. labour market regulation, child care support, tax incentives etc.) that influence a household’s capacity for acquiring multiple incomes in an era in which multiple household incomes are usually required to attain a decent standard of living (Crettaz, 2011; Lohmann, 2009; Lohmann & Marx, 2008).

### 2.3 Data and analytical approach

The next sections will look at minimum income protection levels for workers in Europe and three US States, Nebraska, New Jersey and Texas. It is particularly useful to include the United States in the comparison because in-work poverty is a long-standing policy concern there. The focus is on the adequacy, from a poverty prevention perspective, of net income packages at minimum wages. The analysis is based on model family simulations of net
disposable incomes of one-earner families with the earner working for the minimum wage, if applicable. These household types are mainly different in terms of their composition: the number of adults living in the household, the number of children and their age. The data draw on the CSB-MIPI dataset (Van Mechelen et al., 2011). Net disposable income consists, following the OECD (OECD, 2002) definition, of the sum of the principal income component (that is, gross minimum wage) plus child cash benefits and housing allowances, minus income taxes, social security contributions and local taxes. Unlike the OECD, housing allowances are only taken into account insofar they are not discretionary awarded. Where these exist, negative income taxes are taken into account. In some countries, these negative income taxes are conditional upon work or are designed to support families with children, or both. We have tried, to the extent possible, to distinguish income tax credits that are work related (that are to be found under income taxes) from those that are solely aimed at families with children (that are classified under child cash benefits). Moreover, for net disposable income at the minimum wage, social assistance top-ups turn out to be relevant for a number of countries.

We begin the analysis by presenting the different minimum wage schemes applicable in the countries of our sample. We then compare gross minimum wage levels across countries, relative to average wages and living standards. Next, we analyse how net disposable income packages at minimum wage level compare to relative poverty thresholds. Finally, we consider trends over the past decade.

2.4 Minimum wages and institutionally imposed wage floors

Minimum wages are not just, or for that matter even principally, about minimum income protection. Other considerations matter, not least (perceived) fairness, inequality and the desire to maintain adequate work incentives for those outside the labour market (International Labour Organization, 2008). Here, however, we are interested in whether minimum wage earners succeed in living a life free from severe financial hardship. This concern is also voiced by the EU, when calling for decent wages. Another perceived function of minimum wages is that when subsidies are directed towards low wage earners, that these will not be pocketed by employers or lead to wage erosion (European Commission, 2010b; Immervoll, 2007).

The large majority of European countries have a national minimum wage (see Table 3), set by law or through collective bargaining at the national level (Vaughan-Whitehead, 2010). The early 1990s saw the introduction of minimum wages in the formerly Communist countries
that are now part of the European Union. The United Kingdom introduced a national minimum wage in 1999 and Ireland one year later. Recent developments in Austria definitely point towards an introduction of a national minimum wage, since an agreement between the trade unions and the employers became applicable as of January 2009, establishing a minimum wage covering almost the entire private sector. In Germany, the minimum wage is again at the centre of the political debate.

In 2010, twenty Member States of the European Union had a national minimum wage, set by government, often in cooperation with or on the advice of the social partners, or by the social partners themselves in a national agreement. The federal minimum wage in the United States is determined by the federal government. The states can set higher minimum wages. Of the three states in our sample (Nebraska, New Jersey and Texas) only New Jersey exercised this right for a limited period (2005-2008) during the past decade. Table 3 presents an overview of the minimum wages assessed in this paper, and the estimated share of the labour force working at this minimum wage. The methodology behind these estimates differs considerably between the countries included; known caveats of the estimates are mentioned in the footnotes under the table. Notwithstanding these reservations, it seems that the prevalence of minimum wage workers varies greatly between the countries in our sample, though no clear patterns are apparent. In some countries the primary purpose of the “headline” minimum wage is to act as a benchmark: it marks the floor of the wage hierarchy. “Real” minimum wages (i.e. pay scales for the youngest, least qualified and least experienced workers as stipulated in collective agreements) are sometimes considerably higher than the nationwide minimum wage as sectoral negotiations may overbid the national minimum wage. In other countries, like Greece or France, it appears that more workers work effectively for the minimum wage.

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9 The resulting drop in private sector employees earning less than 1000 euro per month was considerable, from at least 20000 employees to a few hundred (European Commission, 2010b).

10 This debate has ultimately led to the introduction of a statutory minimum wage in 2015.
Table 3. Overview of minimum wages in EU 27 in 2009, plus Norway and three US states

<table>
<thead>
<tr>
<th>Country</th>
<th>Minimum wage</th>
<th>% of employees</th>
<th>Minimum wage setting (ICTWSS database of Visser, 2011)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT</td>
<td>Mindestlohn</td>
<td>n/a</td>
<td>National agreement between unions and employers</td>
</tr>
<tr>
<td>BE</td>
<td>Gewaarborgd Minimum Maandinkomen</td>
<td>3.65%&lt;sup&gt;a&lt;/sup&gt;</td>
<td>by agreement, but extended and made binding by law or ministerial decree</td>
</tr>
<tr>
<td>BG</td>
<td>минимална работна заплата</td>
<td>n/a</td>
<td>by government after non-binding tripartite consultations</td>
</tr>
<tr>
<td>CY</td>
<td>None (in some sectors only)</td>
<td></td>
<td>by government, bound by fixed rule</td>
</tr>
<tr>
<td>CZ</td>
<td>Minimální mzda</td>
<td>2.5%</td>
<td>by government, no fixed rule</td>
</tr>
<tr>
<td>DK</td>
<td>None</td>
<td></td>
<td>(sectoral) collective agreements or tripartite wage boards in some sectors</td>
</tr>
<tr>
<td>EE</td>
<td>Riiklik alampalk</td>
<td>4.6% of employees&lt;sup&gt;b&lt;/sup&gt;</td>
<td>by agreement, but extended and made binding by law or ministerial decree</td>
</tr>
<tr>
<td>EL</td>
<td><em>Quasi statutory minimum wage, name: n.a.</em></td>
<td>20.4%&lt;sup&gt;e&lt;/sup&gt;</td>
<td>by government, bound by fixed rule</td>
</tr>
<tr>
<td>ES</td>
<td>Salario Interprofesional Mínimo</td>
<td>2.6%&lt;sup&gt;c&lt;/sup&gt;</td>
<td>by government after non-binding tripartite consultations</td>
</tr>
<tr>
<td>FI</td>
<td>None</td>
<td></td>
<td>sectoral collective agreements of tripartite wage boards in some sectors</td>
</tr>
<tr>
<td>FR</td>
<td>Salaire minimum interprofessionnel de croissance</td>
<td>10.6%&lt;sup&gt;d&lt;/sup&gt;</td>
<td>by government, without fixed rule</td>
</tr>
<tr>
<td>HU</td>
<td>Teljes munkaidőben foglalkoztatottak minimálbére</td>
<td>2.7-2.8%&lt;sup&gt;f&lt;/sup&gt;</td>
<td>through tripartite negotiations</td>
</tr>
<tr>
<td>IE</td>
<td>National Minimum Wage</td>
<td>n/a</td>
<td>by judges or experts committee</td>
</tr>
<tr>
<td>IT</td>
<td>None</td>
<td></td>
<td>sectoral collective agreements or tripartite wage boards in some sectors</td>
</tr>
<tr>
<td>LT</td>
<td>Minimali mēnesinē alga</td>
<td>6.98%&lt;sup&gt;h&lt;/sup&gt;</td>
<td>by government after non-binding tripartite consultations</td>
</tr>
<tr>
<td>LU</td>
<td>Salaire Social Minimum</td>
<td>11.2%&lt;sup&gt;i&lt;/sup&gt;</td>
<td>by government, bound by fixed rule</td>
</tr>
<tr>
<td>LV</td>
<td>Minimālā mēneša darba alga</td>
<td>18%&lt;sup&gt;j&lt;/sup&gt;</td>
<td>by government, without fixed rule</td>
</tr>
<tr>
<td>MT</td>
<td><em>Statutory minimum wage, n.a. name: n.a.</em></td>
<td></td>
<td>by government, bound by fixed rule</td>
</tr>
</tbody>
</table>
Table 3. Overview of minimum wages in EU 27 in 2009, plus Norway and three US states – ctd.

<table>
<thead>
<tr>
<th>Country</th>
<th>Minimum wage</th>
<th>% of employees</th>
<th>Minimum wage setting (ICTWSS database of Visser, 2011)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NL</td>
<td>Wettelijk minimumloon</td>
<td>$1.6%^k$</td>
<td>by government, bound by fixed rule</td>
</tr>
<tr>
<td>NO</td>
<td>None</td>
<td></td>
<td>(sectoral) collective agreements or tripartite wage boards in some sectors</td>
</tr>
<tr>
<td>PL</td>
<td>Placa minimalna</td>
<td>$2%^l$</td>
<td>by government after non-binding tripartite consultations</td>
</tr>
<tr>
<td>PT</td>
<td>Retribuição Mínima Mensal Garantida</td>
<td>$8.7%$ of employees $^m$</td>
<td>by government, without fixed rule</td>
</tr>
<tr>
<td>RO</td>
<td>Salariul minim pe economie</td>
<td>n/a</td>
<td>by government after non-binding tripartite consultations</td>
</tr>
<tr>
<td>SE</td>
<td>None</td>
<td></td>
<td>(sectoral) collective agreements or tripartite wage boards in some sectors</td>
</tr>
<tr>
<td>SI</td>
<td>Minimalna plaèa</td>
<td>$2.8%^n$</td>
<td>by government, bound by fixed rule</td>
</tr>
<tr>
<td>SK</td>
<td>Minimála mzda</td>
<td>n/a</td>
<td>by government, without fixed rule</td>
</tr>
<tr>
<td>UK</td>
<td>National minimum wage</td>
<td>$4.3%^o$</td>
<td>by judges or experts committee</td>
</tr>
<tr>
<td>US</td>
<td>Minimum wage</td>
<td>$4.9%$ overall; $8.5%$ for Texas; $5.8%$ for New Jersey and Nebraska $^p$</td>
<td>by government, without fixed rule</td>
</tr>
</tbody>
</table>

Note: Figures are not fully comparable. FT: full-time; $^a$ EU-SILC 2004 estimate; $^b$ 2006: % of full-time employees that receives wages less than or equal to minimum wage (interval EEK 2500-3000, minimum wage in 2006: 3000 EEK); $^c$ No official data; $^d$ Data based on DARES, a survey excluding employees in agriculture, in public administrations, in interim enterprises, in associations working in the sector of social action and in family employment; $^e$ Rough estimate based on LFS 2007 (% of working population earning between €500 and €750, minimum wage in 2007: €658); $^f$ 2008; $^g$ Percentage refers to all employees working for a wage around a minimum wage (both qualified and non-qualified workers). The percentage for non-qualified workers is 6.2%; $^h$ 2007; $^i$ March 2008, statistics based on the number of persons paid around the minimum wage. Statistics refer to private sector only, resident workers and cross-border workers; $^j$ Second quarter of 2009. Minimum (and below) wage earners; $^k$ 2006; $^l$ 2007, percentage based on official data of Ministry of Labour and Social Policy, contested by trade unions; $^m$ October 2009; $^n$ February 2009; $^o$ April 2008 (earning minimum wage or less); $^p$ 2009 annual averages.

Source: CSB-MIPI (Van Mechelen et al., 2011); (Visser, 2011)
There are few countries without a minimum wage. In Cyprus, Denmark, Finland, Italy, Norway and Sweden, workers are at most covered by sectorally applicable minimum wages. Although the proportion of covered employees can be quite large, considerable differences in minimum wages between various sectors or regions may exist (for instance, see database on sectoral minimum wages in Germany of the Wirtschafts- und Sozialwissenschaftliche Institut (2011), and Immervoll (2007)). Therefore, we tried to gather information on a sectoral minimum wage in one of the countries’ low wage sectors. For Italy, the national respondent provided us with information on the minimum wage agreed between the social partners for a blue collar worker with the lowest qualification level in the low-paid leather and fur sector.\(^{11}\) Unfortunately, it was not possible to consistently gather information on low minimum wages for the other countries lacking a national minimum wage. We include Austria in our assessment for 2009, since the newly agreed minimum wage approaches a quasi-statutory minimum wage. In the remainder of this paper we focus on minimum wages in all countries mentioned in Table 3, except for Malta and Cyprus, due to a lack of data, the Scandinavian countries and Germany, due to a lack of data with respect to an alternative for an official minimum wage.

Minimum wage levels differ considerably across the set of countries we consider. Figure 6 presents the minimum wage level applicable for a 35-year old worker, as do all figures and tables in this chapter.\(^{12}\) For some countries this means that we present a somewhat higher minimum wage than the one commonly used, and this is due to experience-related upgrades. As can be seen from Figure 6, minimum wage levels range in 2009 from around 30 per cent of gross male average wage in the Czech Republic, Estonia and the United Kingdom to a maximum of over 45 per cent in Belgium and Greece. In PPS the range is understandably even wider, with minimum wages in the more generous countries exceeding those in the least generous countries by a factor of six. Note that the newest EU member states generally have national minimum wages that are among the least generous when considering purchasing power standards. Relative to average wages, however, minimum wages there are not

\(^{11}\) Although we consider this approach to be the most valid when trying to compare the wage floor in the various European countries, some reservations apply. For one thing, we cannot be sure that this will indeed be the lowest minimum wage applicable in Italy. However, large differences are unlikely. More serious is the fact that when collective bargaining coverage declines, unregulated parts of the labour market may become more common (International Labour Organization, 2008).

\(^{12}\) Likewise, gross average wages refer to the average wage for a 35-year old male worker.
particular low. Likewise, Portugal has a minimum wage that is relatively low in terms of PPS, but is one of the most generous minimum wages relative to average male wages.

Figure 6. Gross monthly minimum wage levels in 2009, PPS, euro and relative to average wages.

Note: Gross average wages for a 35-year-old male worker. For some countries (BG, EL) this differs from commonly presented minimum wage levels, due to experience premiums. No gross male average wage available for LU and the US states.

Source: CSB-MIPI (Van Mechelen et al., 2011).

2.5 Net incomes at minimum wage level relative to the poverty threshold

We now turn to the main focus of attention, the level of net disposable incomes at minimum wage relative to the poverty threshold. Figure 7 and Figure 8 present the net disposable income of a single person household and a family with two children, with the earner working at the minimum wage. For a single person household, net disposable income suffices in about half the countries of our sample to avoid the risk of being poor. Note, however, that gross minimum wages are above or very near to the national at-risk-of-poverty threshold in all but a few countries. It is taxes and social security contributions which cause net disposable income at the minimum wage to be below the poverty threshold in a significant number of countries. Some countries, for instance the Czech Republic, Spain and the Slovak Republic, levy no income taxes on the income of minimum wage earners. The UK awards an income tax credit, but the impact of this measure is dampened by high local taxes. Other countries awarding
income tax credits to minimum wage earners are Austria and France. In two countries, the Netherlands and Belgium, income taxes for single persons earning a minimum wage remain substantial. However, social security contributions are limited in these cases.

Figure 7. Breakdown of net disposable income of a single minimum wage earner, 2009, relative to the 60% at-risk-of-poverty threshold

Note: HA: housing allowance, NDI: net disposable income, SS: social security; taxes: sum of income tax and local taxes. AT and IT: no genuine statutory MW. For a discussion, see section Minimum wages and institutionally imposed wage floors. * LV: Average awarded housing allowance is shown but not included in the net income, since it was impossible to simulate the legally guaranteed value for this family type. Respondents disagree on whether this average value is a good approximation.

Source: CSB-MIPI (Van Mechelen et al., 2011); Poverty thresholds retrieved from Eurostat (2015); U.S. Bureau of the Census and Bureau of Labour Statistics (2011)

Single minimum wage earners rarely receive additional allowances. Only Italy, France, Austria and the Czech Republic award housing allowances to single minimum wage earners. Social assistance top-ups to single minimum wage earners are extremely rare. Compared to social assistance recipients, single minimum wage earners are relatively well off, even when not reaching the at-risk-of-poverty threshold (see Van Mechelen & Marchal, 2013). Single minimum wage earners in France combine the prime pour l’emploi tax credit with a very limited social assistance top-up. Two of the three US states in our sample, New Jersey and Texas, also provide a small top-up, under the Supplemental Nutritional Assistance Program (SNAP, commonly referred to as food stamps). This program provides a debit card to eligible
households which can be used to purchase specific goods in participating food retailers. However, take-up of this top-up is rather low among the working poor (United States Department of Agriculture, 2010). In Figures 7, 8 and 9, the money value of this debit card is included.

Figure 8. Breakdown of net disposable income of a one-earner family with two children at minimum wage, 2009, relative to the 60% at-risk-of-poverty threshold.

Note: For comparability reasons heating allowance is excluded from the simulations (BG and HU). The social assistance top-up in Poland is not always awarded. HA: housing allowance, NDI: net disposable income, SS: social security; taxes: sum of income tax and local taxes. AT and IT: no genuine statutory MW. For a discussion, see section Minimum wages and institutionally imposed wage floors. * LV: Average awarded housing allowance is shown but not included in the net income, since it was impossible to simulate the legally guaranteed value for this family type. Respondents disagree on whether this average value is a good approximation.

Source: CSB-MIPI (Van Mechelen et al., 2011); Poverty thresholds retrieved from Eurostat (2015); U.S. Bureau of the Census and Bureau of Labour Statistics (2011)

The situation is different when there are dependents, especially children, present in the household. Figure 8 shows the net disposable income and its components relative to the 60 per cent at-risk-of-poverty threshold for a sole breadwinner couple with two children. Strikingly, a family in this situation does not escape poverty in any country, with the sole exception of Ireland. In fact, the gap between their income and the poverty threshold is quite substantial in most countries, indicating that even a wage substantially above the minimum wage would not suffice. Yet in many countries child benefits are quite substantial. Likewise,
families with children often receive income top-ups, such as the family income supplement in Ireland, regular social assistance top-ups in Lithuania, Luxembourg and the Czech Republic and SNAP benefits in the US states. Also, families in the situation simulated here can apply for housing allowances in a considerable number of countries. Moreover, following the design of most tax systems, wherein generally tax allowances are granted for dependent household members, income taxes very nearly disappear in most countries, or become positive tax credits (Slovak Republic, Austria, Czech Republic, UK, US).

Figure 9. Breakdown of net disposable income of a lone parent with two children at minimum wage, 2009, relative to the 60% at-risk-of-poverty threshold.

Note: For comparability reasons heating allowance is excluded from the simulations (BG and HU). HA: housing allowance, NDI: net disposable income, SS: social security; taxes: sum of income tax and local taxes. No comparable poverty threshold available for the US. AT and IT: no genuine statutory MW. For a discussion, see section Minimum wages and institutionally imposed wage floors.

*LV: Average awarded housing allowance is shown but not included in the net income, since it was impossible to simulate the legally guaranteed value for this family type. Respondents disagree on whether this average value is a good approximation.

Source: CSB-MIPI (Van Mechelen et al., 2011); Poverty thresholds retrieved from Eurostat (2015); U.S. Bureau of the Census and Bureau of Labour Statistics (2011)

Figure 9 shows the income package of a lone parent with two children. In most countries, this family type does somewhat better than a couple with two children. In a small number of countries, a lone parent raising two children and working full time for the minimum wage has an income package just above or around the poverty threshold. This is mainly because lone
parents receive the same (or almost the same) supportive measures as a couple with two children, while having the advantage of having one adult mouth less to feed. The effect, in other words, stems from the way the equivalence scale is calculated and not from more generous support. The few countries that provide additional measures towards lone parent families mainly do so by increased child benefits (like Belgium and Estonia) or by a more favourable tax treatment (as in the Netherlands). Note that the model family type calculation presented here assumes full time work. It goes without saying that many lone parents do not find it easy to combine a full time job with raising children. Minimum wage workers in particular are often employed in service sectors jobs with non-standard work times, including weekend and night work. They face particular difficulties finding appropriate child care and actually working full time.

2.6 Trends over the past decade

Let us now turn to trends over the past decade, the period 2001-2009 to be more precise. Figure 10 shows trends in gross minimum wages and net income packages at minimum wages relative to median equivalent income and thus to relative poverty thresholds. Clearly, the scale of variation in trends is considerable, across countries but also across family types within countries. Note also that this picture is to some extent influenced - if not distorted - by the economic crisis which caused median household income to drop significantly in a number of countries. Had we presented the trend up until 2008, the overall picture would have been one of general decline.

Interestingly, in most countries net incomes at minimum wage increased more strongly, or declined less sharply than gross minimum wages, be it again with significant variation by family type. In Lithuania, for example, the level of the gross minimum wage declined relative to the poverty threshold yet net incomes for minimum wage earners improved, especially for those with dependent children. In France, to take another example, the gross minimum wage fell vis-à-vis the poverty threshold but this did not translate into a proportional drop in net incomes for minimum wage workers. Such divergent trends point to changes in the components that make up net disposable income. Thus we turn our attention to what happened with the various components.
Figure 10. Evolution (in %) of net disposable income for a one-earner family with the working adult earning a minimum wage relative to poverty thresholds, 2001-2009.


Source: CSB-MIPI (Van Mechelen et al., 2011); Poverty thresholds retrieved from Eurostat (2015); U.S. Bureau of the Census and Bureau of Labour Statistics (2011)

2.6.1 Gross minimum wages

In real terms, minimum wages increased in most EU countries in the period 2001-2009, especially in the EU12 countries. However, these real increases translate into a far more diverse picture relative to average earnings. From Figure 11, in which countries are ranked by their initial level in 2001, it can be seen that by and large the strongest increases occurred in the countries where the initial levels in 2001 were lowest. In the countries where they were highest in 2001, minimum wages generally declined relative to average wages. The figure also shows trends relative to relative poverty thresholds. Clearly the picture is more mixed. It is moreover important to stress that the overall picture would have been of declines had we compared 2001-2008, that is, before the crisis caused a drop in median equivalent incomes. It is also important to stress that this figure may suggest a continuity in trend that is not really there in fact. For example, in the United States, the minimum wage eroded, both in real terms as well as relative to gross average wages for the largest part of the decade before gross minimum wage levels were finally substantially raised again.
Figure 11. Evolution (in %) of gross minimum wage relative to gross average wage and median equivalent income, ranked by 2001 level relative to gross average wage.

Note: NL and IE not included due to break in series. No minimum wage in Austria in 2001. Taking account of 13\textsuperscript{th} and 14\textsuperscript{th} month bonuses in ES, PT and EL would lead to higher 2001 ranks (respectively 7\textsuperscript{th}, 11\textsuperscript{th} and 15\textsuperscript{th}), trends remain the same. Monthly minimum wages simulated for a 35 year old worker.

Source: CSB-MIPI (Van Mechelen et al., 2011); Poverty thresholds retrieved from Eurostat (2011), U.S. Bureau of the Census and Bureau of Labour Statistics (2011); average gross wages from OECD (2015b) and from CSB MIPI for LT and RO

2.6.2 Income taxes

We have seen that in most countries net incomes at minimum wage increased more strongly, or declined less sharply, than gross minimum wage levels, suggesting changes in the components that affect net disposable income. We first look at the impact of income taxation policy changes. The overall picture, presented in Figure 12, is one of declining taxation levels, where and for whom there was still room for such declines. That was generally only the case for single person households; single breadwinner households with dependent children already paid close to zero taxes in our base year, 2001. An exception is Belgium, where income taxes remained significant for single minimum wage earners. In a limited number of countries we see an effective shift towards negative taxation, i.e. towards single persons receiving income supplements through the tax system. Poland and Romania increased the income tax for a single person minimum wage earner, although only by a small amount and from a very low level.
Turning to couples and lone parents with two children, the first thing to note is that income taxes were in general already minimal or non-existent in 2001. A few observations stand out. The Czech Republic introduced a comparatively generous tax credit for families with children as part of its 2008 flat tax reform, but this measure did not suffice to keep net disposable income in line with the standard of living (see Figure 10). Lithuania, the only country with a relatively high income tax in 2001, has drastically cut back this tax. The personal income tax rate was substantially reduced (from 33 to 15 per cent) and the amount of the non-taxable income base was increased for low income families. In the Slovak Republic, the 2004 tax and welfare reform changed the existing child tax allowances into refundable tax credits. In France, the maximum value of the refundable Prime pour l’emploi (PPE, a working tax credit) was substantially raised between 2005 and 2008. However, from 2009 onwards, low-wage earners benefit from the newly introduced social assistance benefit (rSa) that supports the working poor with a considerable top-up, causing a decrease in the importance of this tax credit shown in figure 12. For the UK, a reform of the working families’ tax credit into the working tax credit and the child tax credit in April 2003 apparently had divergent consequences for different family types, with generosity declines for the two households types with dependent children presented here.13 Currently, the UK government is preparing a far-reaching reform of the benefit structure, including the tax credits, into a ‘universal credit’. Striking also is the substantial impact, relatively speaking, of the Earned Income Tax Credit in the United States. This federal tax credit is the country’s pre-eminent anti-poverty program for families of active working age. Although the EITC was expanded for families with three children or more in reaction to the crisis, the substantial increase in refundable tax credits observed for families with children in Figure 12 is due to two other crisis measures. The 2009 American Recovery and Reinvestment Act temporarily introduced the Making Work Pay tax credit, and issued a temporary expansion of the refundable Additional Child tax credit14. Especially the latter had a substantial impact on the net disposable income of minimum wage earners with children.

13 The reform also caused non-working families with children to receive the child tax credit
14 The Making Work Pay Tax credit supported workers in 2009 and 2010. The refundable part of the Child Tax Credit is scheduled to return to its former levels after 2012.
Figure 12. Income taxes as percentage of gross minimum wage, various household types, 2001-2009

Note: C2C: couple with two children. LP2C: lone parent with two children. Within household types, countries are sorted by 2001 level. Gross minimum wage for a 35-year old worker. In the case of a couple with children, the worker is married.

Source: CSB-MIPI (Van Mechelen et al., 2011).
2.6.3 Social security contributions

Social security contributions are levied on individual earnings and do not vary by family type. These continue to have a substantial impact on the net incomes of minimum wage workers, reducing net income by as much as a fifth in some countries. As can be seen from Figure 9, in a country like France a lone parent with two children working full time for the minimum wage would actually be above the poverty threshold if employee social security contributions were slightly lower. In the period under scrutiny here, social security contributions, while remaining substantial in most countries, decreased (marginally) in Poland, the Czech Republic, Romania and (more substantially) in Belgium. In the Czech Republic, a reduction took place in 2009. Since 2002, Estonian employees contribute to the unemployment insurance fund, as well as to the funded pension scheme. In Lithuania, social insurance contributions were raised from three per cent of gross wage income to nine per cent, of which three per cent for pension insurance and six per cent for health insurance. In the Belgian case, the prime objective has been to increase work incentives, particularly the net pay-off to making the transition from dependence on a social assistance or unemployment benefit to a low-paid job.

Figure 13. Trends in social security contributions as percentage of gross minimum wage, 2001-2009.

Note: gross minimum wage for a 35-year old worker. Countries are sorted by 2001 level.

Source: CSB-MIPI (Van Mechelen et al., 2011).
2.6.4 Child benefits

Child benefits have generally lost ground. For a couple with two children, the size of the child benefits package, expressed as a percentage of the gross minimum wage, declined in the majority of countries awarding these benefits. For lone parents with two children the trend was somewhat more favourable in a number of countries. The largest decreases occurred in the Eastern-European countries Estonia, Hungary, the Slovak Republic, the Czech Republic\(^\text{15}\) (from a rather generous level), Slovenia (couple with two children) and Latvia. On the other hand, Lithuania introduced a means-tested child cash benefit, amounting to 13 per cent of the gross minimum wage. Also in Italy, Ireland and Luxembourg, the value of child cash benefits increased. As already mentioned, the decrease of child benefits in the UK is caused by the split of the former working families’ tax credit into the working tax credit and the child tax credit.

Figure 14. Trends in child benefits as percentage of gross minimum wage, 2001-2009

Note: gross minimum wage for a 35-year old worker. Countries are sorted by 2001 level.

Source: CSB-MIPI (Van Mechelen et al., 2011).

The decline of child cash benefits, both in value as in their importance in net disposable income, is discussed more extensively in Van Mechelen & Bradshaw (2013).

\(^{15}\) In the Czech and Slovak Republics these decreases were compensated by a child tax credit.
2.6.5 Other income components: housing allowance and social assistance top-up

Two other important income components of net disposable income of minimum wage earners are the housing allowances and social assistance top-ups awarded in some countries.

In 2009, nine countries of our sample award housing allowances in order to help low income families meet housing costs. These allowances are more common and generally more substantial for families with children. A couple with two children receives housing allowances ranging from around eight (in Poland) to 25 per cent (in France) of gross minimum wage. Singles without children on the other hand, are only eligible in four countries, for substantially lower benefits, ranging from four (France) to 12 per cent (Czech Republic) of the gross minimum wage.

There was no common trend in either the awarding or the level of housing allowances over the past decade. In three countries, the housing allowance decreased substantially, or was even abolished for some (or all) of the family types considered here (CZ, PL, SK). In other countries, benefit levels remained stable (FR), increased (HU, SI) or became less haphazard over time (IT).

Social assistance top-ups are benefits paid by the minimum income scheme up to at least the level guaranteed by the minimum income scheme. Usually, it lifts income (somewhat) above the minimum income level, since earnings disregards apply that aim to make work pay.

Once again, it is mainly families with children that receive social assistance top-ups. The only countries where single persons without dependents receive a modest social assistance top-up are France and the United States, at least in two out of the three states covered here: New Jersey and Texas. Families with children, however, receive in 2009 a social assistance top-up in eleven of the countries included in this study. Top-ups are less often awarded to lone parent families, more exactly in seven countries covered here. Unlike for single persons, top-ups received by couples with children and lone parents are substantial, although large variation exists between countries. For a couple with two children, top-ups range from a low of eight per cent of gross minimum wage, up to over 40 per cent in the US states and the Czech Republic, to 64 per cent in Lithuania. Top-ups for a lone parent with two children range from 16 to 32 per cent of gross minimum wage.

As with housing allowances, trends in social assistance top-ups over the past decade were fairly mixed. In two countries, family types that were eligible for a top-up in 2001 are no
longer so in 2009. In the Slovak Republic, this was due to a profound tax and welfare reform whereas in Estonia, social assistance benefit levels eroded despite substantial real increases (see Van Mechelen and Marchal, 2013). In another two countries, the Czech Republic and Hungary, social assistance top-ups decreased substantially relative to gross minimum wages\textsuperscript{16}. They declined only marginally or remained stable in Slovenia and the US states and increased in Luxembourg, Lithuania and Portugal\textsuperscript{17}.

In France, the 2009 reform of the social assistance scheme into the “revenue de solidarité active” had as one of its main aims to make sure that employment protects against poverty (Anne & L'Horty, 2008). The rSa top-up supplements and/or replaces the previous working tax credit. In Ireland, couples and lone parents in work with children are eligible for a means-tested Family Income supplement.

### 2.7 Conclusion and prospects for improvement

Minimum wage floors underpin minimum income protection for workers in most countries. In 2010, twenty EU countries have a national minimum wage, set by law or through collective bargaining at the national level. The United States has a federal minimum wage and some US states set higher minimum wages. Across the EU, there is substantial variation in minimum wage levels relative to average wages, ranging from under 30 per cent to almost 50 per cent. Real increases have occurred almost everywhere in the period 2001-2009, but relative to average wages the picture is more mixed. By and large the strongest increases occurred in countries with the lowest initial levels relative to average wages.

The main focus of this paper has been on net income packages at minimum wage level, taking into account the impact of taxes and social security contributions, but also benefits (including child benefits) and additional allowances. In the period 2001-2009, net incomes at minimum

\textsuperscript{16} In the Czech Republic, a reform of the social assistance scheme lowered eligibility thresholds. In Hungary, the substantial rise of gross minimum wages compared to the evolution of the social assistance threshold led to a decreasing importance of the social assistance top-up in net disposable income.

\textsuperscript{17} In Lithuania and Portugal, this is a consequence of the rise of social assistance benefits. However, in both countries, respondents note that actual take-up of social assistance top-ups to minimum wages is fairly limited. The low take-up rate of the social assistance top-up in Poland, as well as numerous additional conditions, led our respondent to advise us not to include this top-up in our calculations of net disposable income.
wage generally increased more, or decreased less, than gross minimum wages, reflecting a shift towards tax alleviation and additional income support for low-paid workers.

Net disposable incomes for full time single persons working for the minimum wage are at least as high as the 60 per cent at-risk-of poverty threshold in about half the countries of the EU where there is a minimum wage. The picture changes drastically when the focus is shifted to households with dependent children and other dependent persons. Net incomes at minimum wage for full time working lone parents are below the poverty threshold almost everywhere. For sole breadwinner couples with children net income packages at minimum wage level fall well short everywhere, generally by a very substantial margin.

What are the prospects for improvement? In some EU countries, minimum wages remain non-existent or low relative to average wages. Thus in countries where minimum wages are presently not in place or relatively low there may be scope for gradual but substantial increases. In countries where they have deteriorated relative to average wages there may be scope for some catch-up growth. However, the route of boosting minimum wages to the upper prevailing ranges (relative to average earnings) would not be sufficient to eradicate in-work poverty, even in the absence of negative employment effects and large spill-overs to non-poor households. Essentially that is because minimum wages have become inherently constrained in providing minimum income protection to sole breadwinner households in countries where relative poverty thresholds are strongly determined by dual earner living standards. The increases in minimum wages required to keep workers solely relying on it above the poverty threshold are in fact by now so substantial that they are hardly conceivable.

Yet minimum wages still constitute the foundation of minimum income protection for workers, and, given their role as a benchmark level, not only for those effectively working for the minimum wage. Moreover, in an encompassing anti-poverty strategy, minimum wages can play a crucial role in dampening the possible wage erosion effects of in-work benefits and tax credits. This points to the importance of maintaining minimum wages and making sure that these keep pace with average wage growth to the extent possible.

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18 Studies suggest that even in those cases where the overlap between low pay and household poverty is the greatest, as is the case in the United States, increases in the minimum wage have a relatively limited impact on poverty or income inequality and a substantial spill-over to the non-poor (Formby, Bishop, & Kim, 2005, 2010). Studies for other countries suggest the same: see Gosling (1996) and Sutherland (2001) for the UK; Marx et al. (2012) for Belgium; Müller and Steiner (2008) for Germany, Figari (2010) for Southern European countries, Formby et al. (2010) for the U.S.
As we have seen in this paper, rather than pushing for higher minimum wages, many governments in Europe have undertaken measures to increase the net incomes of workers paid at or around the minimum wage. Minimum wage workers have generally seen their taxes fall over the past decade. In most countries, they pay very low or no taxes, especially when there are children. Only in a small number of countries have there been declines in social security contributions. There thus remains some theoretical scope for increasing net disposable incomes via this route. But even with hypothetical zero taxation minimum wage earners would in most countries not have an income sufficient to reach the poverty threshold. This is even true in countries where minimum wages are already comparatively high relative to average wages.

This brings us to the option seen to hold the most promise these days: negative income taxes or equivalent in-work benefits for low income households. As we have seen, housing allowances and social assistance top-ups already exist in a number of countries. One type of scheme, however, is garnering most interest of all: negative income taxes. Under such schemes low income households do not pay taxes but instead they get additional money through the tax system.

These still exist only in a handful of countries in any significant form, with the United States and the United Kingdom standing out in particular. The United Kingdom has implemented and extended several schemes, culminating in the Working Tax Credit (WTC). In the United States, the Earned Income Tax Credit (EITC) is now the country’s pre-eminent anti-poverty program for families of working age. Several European countries have contemplated introducing Anglo-Saxon-style tax credits, or have done so in some form, most notably the Czech Republic and Slovakia. Interest remains strong, in the public debate and in the academic literature (European Commission, 2011a; Kenworthy, 2011; Marx & Verbist, 2008).

In order to be effective as an anti-poverty device, such income supplements need to be quite substantial. As this paper has demonstrated, even in countries where minimum wages are comparatively high, net incomes for lone parents and sole breadwinners with children fall far short of the poverty threshold. However, strongly targeted, generous negative income taxes

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19 Studies suggest that the EITC, in combination with welfare reform, produced marked increases in labour market participation, especially among single-parent households (Eissa & Hoynes, 2004; Hotz & Scholz, 2003). There is similar evidence for the British WTC (Brewer, Duncan, Shephard, & Suarez, 2006).
are bound to create mobility traps which can only be avoided if taper-off rates are sufficiently flat. This would come at a very considerable cost given that the lower end of the household earnings distribution is so densely populated in most Continental European countries. This cost can only be avoided by making the amount of the tax credit itself smaller, but in that case the anti-poverty effect is reduced. Simulations clearly show that negative income tax schemes that work well in one particular setting do not necessarily perform equally well in other settings (Bargain & Orsini, 2007; Figari et al., 2013; Marx et al., 2012).

Increasing child benefits, finally, is a route that was largely neglected over the previous decade, as Ferrarini, Nelson, and Höög (2012) and Van Mechelen and Bradshaw (2013) document in greater detail than we have done here. It also emanates from these studies, and from other studies (Corak, Lietz, & Sutherland, 2005), that the best performing countries in terms of poverty reduction tend to have systems of child benefits and tax concessions that are broadly awarded yet direct resources proportionally more at the poorest.

When it comes to the question of whether, how and to what extent minimum income protection for workers can be improved many questions remain open. The debate about the question of whether minimum wages destroy jobs, or stifle job growth, is as old as the minimum wage itself. A wealth of empirical evidence has been amassed by labour economics. Some studies, like the Card and Krueger study from 1994 that concluded that minimum wage increases may effectively increase employment rather than harm it, have been among the most heatedly debated in the profession. It seems fair to state that the measured effects have sometimes been positive, sometimes negative, sometimes neutral, but never very large (Card & Krueger, 1994; Dolado, Felgueroso, & Jimeno, 2000; Dolado et al., 1996; Freeman, 1996; Kenworthy, 2004; OECD, 1998). As Martin and Immervoll (2007) state: “On balance, the evidence shows that an appropriately-set minimum wage need not have large negative effects on job prospects, especially if wage floors are properly differentiated (e.g. lower rates for young workers) and non-wage labour costs are kept in check.”

When it comes to effectively alleviating in-work poverty through income supplements for households mainly reliant on earnings, be it in the form of child benefits, negative income taxes or other equivalent schemes, the reality is that there are unlikely to exist cheap solutions, especially if one is also concerned about work and mobility incentives. It is also unlikely that optimal one-size-fits-all solutions exist. The socio-demographic composition of the population and particularly of the working poor matters. Child benefits, for example, will
obviously have less of an effect when single person households are affected by in-work poverty, or when this is the case for multi-generation households. The distribution of wages and working hours, across the population and within households, matters greatly to the potential effectiveness and cost of negative income tax or equivalent schemes. Other elements of institutional and policy context are likely to be relevant. Future research will thus have to be oriented towards devising policy packages that optimally fit national contexts and constraints.
Chapter 3: Exploring a blind spot in comparative pension reform research: Long-term trends in non-contributory pensions in Europe


**Abstract**

Over the past two decades, pension reforms have been high on the agenda of social policy makers in Europe. In many countries, these reforms have resulted in less generous public pensions. At the same time, minimum income protection for older adults has received attention from policy makers, but much less so from social policy researchers. Therefore, this study explores how benefit levels of non-contributory minimum income schemes for older adults evolved from 1992 to 2012 in 13 ‘old’ EU member states. Building on two cross-national longitudinal datasets with comparative data on minimum income protection in Europe, it shows that over the past 20 years the erosion of the principal safety net of last resort for older persons has been limited. Moreover, a substantial number of European countries have pursued a deliberate policy of considerable increases in minimum income benefits.

20 The authors are grateful to the participants of the 9th ESPAnet conference, two anonymous referees and especially Karel Van den Bosch and Frank Vandenbroucke for helpful comments and suggestions. We are grateful to Thomas Bahle, Vanessa Hubl and Michaela Pfeifer who provided early access to their EuMin database. All remaining errors are ours.
3.1 Introduction

Over the past 20 to 30 years, current and projected increases in public pension spending have led to the implementation of widely documented pension reforms in the North, East, South and West of Europe (e.g. Bonoli & Palier, 1998, 2007; Ebbinghaus, 2011; Fultz, 2004; Hinrichs, 2000; Holzmann, MackKellar, & Repanšek, 2009; Immergut, Anderson, & Schulze, 2007; Kangas, Lundberg, & Ploug, 2010; Müller, 2002; Natali, 2008). In general, these reforms have led to less generous contributory pensions and shifted more risks towards individuals, with a more restrictive redistribution towards persons living on low incomes (cf. Grech, 2015; Zaidi et al., 2006).

In Europe, comparative researchers have focused mainly on the politics of these pension reforms and their results in terms of changes to the main public pension scheme and the public–private mix in old-age provision. Even though reforms to minimum income protection schemes for older people are not entirely neglected in case study research (Augris & Bac, 2009; Capucha, Bomba, Fernandes, & Matos, 2005; Immergut et al., 2007; Kangas et al., 2010; Kapteyn & de Vos, 1999; Monacelli, 2007), they are generally overlooked in comprehensive comparative studies (an exception is Pearson & Whitehouse, 2009).

A focus on minimum income guarantees is justified for an interrelated set of reasons. First, it is an important element in alleviating poverty in old age. The provision of adequate levels of retirement incomes that ensure that older people do not risk falling into poverty should be one of the core objectives of pension policy, as has been emphasised at the Laeken European Council in 2001 and confirmed in 2006 and 2012 in the European Commission’s White paper on pensions (cf. Eckardt, 2005, pp. 253-254; European Commission, 2006, pp. 10-11; 2010c, p. 16; 2012)\(^2\). Minimum income guarantees are a crucial part of old-age income provision in terms of alleviating poverty in old age, especially for persons with ‘incomplete’ careers or low earnings throughout their working lives (e.g. European Commission, 2006, p. 56). Therefore, a good understanding of the dynamics of minimum income protection is not only relevant for evaluating whether pension policy invests sufficiently in meeting one of its core objectives, but also for explaining cross-national differences and trends in old-age poverty.

Second, in a substantial number of countries, minimum income guarantees for older adults are likely to become more important in the future. There is a tendency in recent pension reforms

\(^{21}\) Of course, the importance of this goal has varied over time and across countries, Germany is a case in point. See Berner (2005, pp. 16-17).
to re-strengthen the link between contributions and benefits, inter alia evident in a growing reliance on defined-contribution (private) pensions. This leads to a projected fall in public pension replacement rates in many of the EU member states. In addition, more and more countries are relying on price indexation rather than indexation to wage growth (e.g. European Commission, 2005; European Commission, 2009a, pp. 27-28; Meyer, Bridgen, & Riedmüller, 2007; Monacelli, 2007; OECD, 2009b; Whitehouse, D'Addio, Chomik, & Reilly, 2009; Zaidi et al., 2006). In combination with the current growth in the number of persons with non-standard working careers, non-contributory pensions may well become even more important in the future (see also Ebbinghaus, 2012).

Third, there are good reasons to assume that the reform dynamics of non-contributory minimum income protection schemes are different from those of contributory earnings-related pension schemes. This is not only because both types of schemes tend to serve a different purpose (crudely poverty avoidance, respectively income maintenance), but also because reforms to minimum income benefits generally affect current pensioners whereas reforms to contributory schemes tend to be implemented with long phase-in periods on the basis of so-called grandfather clauses, and thus affect a different group of voters. Hence, there is no reason to assume that changes to minimum income protection schemes have gone in the same direction as overall pension reforms.

For these reasons, in this study we tracked the changes to non-contributory minimum income schemes in 13 ‘old’ EU member states, focusing mainly on those aspects that tend to most directly affect the poverty-reducing capacity of minimum income benefits – the mode of access and the level of benefits. We focused on trends since the early 1990s. By then, under the pressure of fiscal imbalances and population ageing, in nearly all EU-15 countries the trend towards extending pension rights had come to an end. At the same time, improving the financial sustainability of pension schemes became the principal purpose of pension reform (e.g. Hinrichs, 2000). This article offers one of the first systematic comparative reviews of long-term trends in non-contributory minimum income schemes for older people in Western Europe (see also Pearson & Whitehouse, 2009). Its main complementary value vis-à-vis the above mentioned case studies lies in the construction of quantitative indicators that are comparable both across time and across countries. This allows for a detailed mapping of the reforms that have taken place and how these are associated with trends in benefit levels and beneficiary numbers. This article shows that the erosion of non-contributory schemes has been limited in the large majority of ‘old’ EU Member States. This stands in sharp contrast to
many of the cost-containing pension reforms (cf. Hinrichs, 2000) and the erosion of social assistance for able-bodied persons at active age (Nelson, 2008, 2010, 2013; Van Mechelen & Marchal, 2013) observed over the past 20 years.

The outline of the article is as follows. First, we propose a terminological clarification with regard to different types of non-contributory minimum income schemes for older people and discuss the development of non-contributory pensions in Western Europe. Second, we briefly introduce the datasets used. Third, we document developments in minimum income schemes targeted at older adults over the past 20 years. Fourth, we devote specific attention to the most recent trends following the onset of the financial and economic crisis. Lastly, we introduce several hypotheses which might help explaining the observed trends, and then conclude.

### 3.2 The development of non-contributory pensions in ‘old’ Europe

In the literature, there is quite some ambiguity in the concepts used for denoting different types of minimum income protection schemes for older persons. In the present study, we followed the categorisation of minimum income schemes for older people introduced in Goedemé (2013). This categorisation was based on two important eligibility criteria.

A first distinction relates to the difference between contributory and non-contributory provisions, that is, whether or not eligibility to a minimum income in old age depends on the contributions one has made during his or her working life. This study looks exclusively at non-contributory minimum income provisions in old age, as these are a right for all citizens – not solely for those with working careers – and constitute the principal final safety net for older people. A second distinction relates to whether or not eligibility to a minimum income guarantee is tested against certain types of income. Both contributory and non-contributory minimum provisions show large variations in means tests. As regards the non-contributory income protection provisions, we distinguished between a non-means-tested basic pension, a pension-tested conditional basic pension, and a social pension with a broader means test (see Table 4).
Table 4. Types of non-contributory minimum income guarantees for the elderly.

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<th>Type of means-test</th>
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<td>Conditional basic pension</td>
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<td>Social pension (SP)</td>
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A basic pension is a universal benefit or demogrant (cf. Deleeck & Cantillon, 1986; Perrin, 1967). It is granted to all citizens above a certain age, regardless of other sources of income. However, other conditions – especially with regard to residence history – may apply, both for establishing eligibility and defining the benefit level. A conditional basic pension tops up pension income to a pre-defined level. Other income sources are not taken into account for defining the benefit level, although in some countries the residence record is relevant for both eligibility and the level of the benefit. Social pensions are the most common type of non-contributory minimum income protection for older people in Western Europe. Eligibility depends on a means test which includes not only public pension income, but also other income sources. Sometimes a minimum residence record of several years before submitting the claim is required. Administratively, social pensions may be part of a general social assistance scheme or of the public pension system.

In some countries, there is no non-contributory minimum income guarantee targeted at older people. In these countries, those not qualifying for a contributory pension are catered for by the general social assistance scheme. Although this has been the case throughout history in a number of Western European countries, in 2012 only Luxembourg had no special provisions for older people. In Austria, older persons are covered by the recently introduced national general social assistance scheme, yet they receive additional top ups. At the start of the 1990s, also older persons in the United Kingdom and Germany had to rely on the general social assistance scheme. However, with the introduction of the Minimum Income Guarantee in the United Kingdom in 1999, and the Mindestsicherung im Elter und bei Erwerbsverminderung
in Germany in 2003, also the latter two countries shifted to categorical minimum income protection provisions targeted at older people (Atkinson, 1991, p. 120; Eardley, Bradshaw, Ditch, Gough, & Whiteford, 1996a, pp. 254-255; National Statistics, 2005, pp. 2-3).

In the remaining social pension countries (see Table 4), categorical social assistance for older persons was from the onset a separate scheme, with its own institutional design (cf. Augris & B, 2009, pp. 23-24; Cantillon, Peeters, & De Ridder, 1987, pp. 98-101; Deleeck, Berghman, Van Heddegem, & Vereycken, 1980, pp. 34-37; Denaeyer, 1969; Eardley et al., 1996a; Horusitzky, Julienne, & Lelièvre, 2005; Immergut et al., 2007; Matsaganis, Ferrera, Capucha, & Moreno, 2003; Nauze-Fichet, 2008; Overbye, 1997; Sacchi & Bastagli, 2005). These minimum income guarantees in old age were introduced in the course of the 20th century, and generally well before the working age population was covered by a general social assistance scheme.

Of the old EU-15 countries, only Sweden, Denmark, Finland and the Netherlands have a (conditional) basic pension as their main non-contributory minimum income scheme for older people. These countries all introduced a basic pension in the 1940s and 1950s, replacing their former universal means-tested pensions. The new basic pensions became the cornerstone of their public pension systems (Kapteyn & de Vos, 1999; Myles, 1984; Overbye, 1997; Palme, 1990). Later on, Denmark incorporated some elements of means testing in parts of its basic pension and Finland and Sweden converted their basic pension into a conditional basic pension (cf. infra), leaving the Netherlands as the only country providing a ‘pure’ basic pension in old age. In all four countries (with the exception of Finland since the 2011 reform), entitlement to and the level of the benefit strongly depend on the number of years of residence, implying that especially for migrants either the general social assistance scheme or a separate social pension remained the safety net of last resort.

Although we focused in the study on non-contributory pensions, it should be kept in mind that also contributory schemes foresee minimum income arrangements, such as minimum pensions and pension supplements. In addition, many contributory pension schemes incorporate other redistributive elements, for instance by equalising periods of unemployment or child care with periods of work. Yet, these forms of income protection are available only to those who have contributed during working life. In many cases, a minimum contribution record applies (cf. Goedemé, 2013; Goedemé & Van Lancker, 2009).
3.3 Two recent data sources

We focused on trends in generosity and caseloads of the main non-contributory minimum income protection scheme in each country. Trends in generosity were captured through trends in gross and net benefit levels in constant prices and relative to average gross wages. The indicators we used were derived from the expert-sourced Centre for Social Policy Minimum Income Protection Indicators dataset (CSB-MIPI). CSB-MIPI contains standardised institutional indicators relating to the main non-contributory minimum income schemes for the older adults in the EU-15 (see Table 5 for an overview). In particular, it contains gross benefits and simulated disposable income packages for 1992 until 2012. Gross benefit levels refer to ‘maximum’ gross benefit amounts for older couples, that is, the level of the non-contributory pension that older couples would receive if they had no other source of income. In addition, when relevant, it was assumed that beneficiaries have a complete residence record. Net incomes were based on model family simulations of non-discretionary income components for a hypothetical family (an older single person and a married couple), taking account of the applicable tax-benefit rules. The simulations of net incomes included non-discretionary housing benefits and heating allowances, as well as taxes and social insurance contributions (if applicable). Unless specified otherwise, simulations of housing benefit levels built on an assumption of housing costs equal to two-thirds of the median rent (two-thirds of the average rent for 1992 and 2001). In Greece only, the model families were assumed to be owner-occupiers rather than tenants. Importantly, the family members were assumed to have reached the minimum pensionable age, to be ineligible for full contributory benefits, and not to have had any accumulated savings. Simulations refer to tax-benefit regulations at specific moments during the year (31 May 1992, 30 June 2001, 30 June 2009 and 1 January 2012). These assumptions were self-evidently more relevant in some countries than in others (e.g. the share of the older population living in single or couple households ranged from around 90% in Denmark to around 54% in Spain, see Van Mechelen, Marchal, Goedemé, Marx, & Cantillon, 2011). However, model family simulations do not serve to describe the social outcomes of minimum income schemes; rather they serve as cross-nationally comparable policy indicators of the generosity and the functioning of minimum income schemes in the national tax-benefit context. A more detailed description of CSB-MIPI, with a discussion of the advantages and limitations of this type of information is provided in Van Mechelen et al. (2011).
Table 5. Overview of minimum income schemes included in the analysis

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*Note: SP: Social pension; BP: basic pension; CBP: conditional basic pension; GSA: general social assistance. Only reform years included.*
Data on the number of beneficiaries of the main non-contributory minimum income scheme were extracted from the Dataset on Minimum Income Protection in Europe (EuMin), developed by the Mannheim Centre for European Social Research (MZES) (Bahle et al., 2011), and extended and updated to 2012 by the authors. For the Nordic countries, the Netherlands, Italy and Greece, we built on administrative sources to complete the database. The number of beneficiaries usually refers to the situation on 31 December each year.

Table 5 provides a detailed overview of the schemes included in the analysis. Luxembourg and Austria were not included in the analysis, because special provisions for older people either do not exist or are regionalised22 (for more information, see for instance Goedemé, 2013; Van Mechelen & Marchal, 2013). In some cases, newly introduced minimum income schemes apply only to new beneficiaries entering the scheme. In these cases, gross benefit levels refer to the new scheme, whereas caseloads refer to the total number of beneficiaries of both the old and the new non-contributory minimum income scheme. In the next section, we distinguish between trends in countries where the main rights-based non-contributory minimum income guarantee for older people consists of a (conditional) basic pension, and those countries where the main non-contributory minimum income guarantee for older people is a social pension.

3.4 Trends in non-contributory pensions

3.4.1 (Conditional) basic pension countries

At the start of the 1990s, Denmark, Finland, the Netherlands and Sweden all had a basic pension as the principal source of non-contributory income protection in old age. Table 6 clearly illustrates the universal character of these basic pensions: In the early 1990s, the basic pensions were received by nearly all persons above the official retirement age. In contrast, social pensions are generally received by only a fraction of the older population. Changes to the mode of access, level and structure of basic pensions over the past 20 years hence affected substantially more persons than the changes to the social pensions discussed further.

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22 Minimum income protection is a regional responsibility in Austria. In 2010, a harmonised national scheme was introduced, but regional differences remain possible.
Table 6. Caseloads of the most relevant old-age non-contributory minimum income schemes as a percentage of the population aged 65 and over, 1992–2012.

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*Note:* m = missing, b = break in series. In the basic pension countries the ratio may be higher than 100 per cent due to early retirement pensioners (FI), beneficiaries living abroad, or younger partners receiving a supplement (NL) are included in the numerator. *UK: number of beneficiaries aged 60 and over as a percentage of all persons aged 60 and over. Only beneficiaries in Great Britain are taken into account.

*Source:* EuMin (Bahle et al., 2011); NOSOSCO (2011); Centraal Bureau voor de Statistiek (2014); Kela (2014); Pensionsmyndigheten (2014); ISTAT (2002); INPS & ISTAT (2012).

Over the period 1992 to 2012, the most radical changes occurred in Finland and Sweden. Finland was the first country to convert its basic pension into a conditional basic pension. Since 1996, with a phase-out period until 2001, the national pension is tested against other public pension income (Social Insurance Institution, 2002). Consequently, beneficiary rates in Finland suddenly dropped from about 100 per cent to 65 per cent of the older population in
2001. While access to the conditional basic pension was restricted, the level of the benefit was increased gradually during the first decade of the 2000s. This increase is remarkable, given that until 2000 benefit levels were in real terms still at the level of the mid-1960s (Kangas, 2007). Yet, the increases were insufficient to keep benefits in line with trends in average wages (Table 7). In March 2011, Finland introduced a new conditional basic pension, the so-called ‘Guarantee Pension’ (Takuueläke). This new conditional basic pension co-exists with the original conditional basic pension (Kansaneläke). Although the pension test is far more strict (the Guarantee Pension decreases one to one with other pension income), it is more generous than the Kansaneläke in the sense that it does not depend on the residence history of applicants and that it provides a higher benefit level (Kela, 2011). In fact, if we factor in the introduction of the Guarantee Pension, the guaranteed minimum income for older couples without other resources increased by over 35 percentage points in real terms (see Figure 15), bringing the gross benefit level back in the range of its relative 1992 value, at 43 per cent of the average gross wage. Figure 18 shows an equally substantial increase in net benefits for couples. Increases for singles were somewhat more limited.

Also in Sweden the basic pension has been replaced with a conditional basic pension (the Garantipension), leading to a sudden drop in the percentage of older people receiving a benefit in 2003 (see Table 6). In addition, its gross level was increased in order to compensate for the abolishment of a tax allowance. Consequently, in net terms, real benefit levels increased much less (see Figure 18). In addition, both before and after this increase, gross benefit levels eroded substantially relative to trends in gross average wages.
Less radical changes have taken place in Denmark and the Netherlands, although also in these two countries we find traces of attempts to contain the cost of the basic pension schemes. In the early 1990s Denmark increased the weight of the means-tested component of the basic pension by slightly raising the means-tested part and decreasing the basic amount of the basic pension as well as by re-introducing a ‘high-earnings test’ in 1994 (Overbye, 1997). Similar to what happened in Sweden in the early 2000s, in 1994 the basic pension became taxable, and gross benefit levels were increased as a compensatory measure. Hence, as in Sweden, gross benefit levels increased, although net benefit levels did not. Ten years later, the basic pension scheme was somewhat expanded. First, in 2003 a means-tested supplementary benefit (the so-called pensioners’ cheque) was introduced (OECD, 2009b). Subsequently, in 2004, the retirement age was lowered from 67 to 65, which led to an articulated increase in the number of beneficiaries (e.g. Green-Pedersen, 2007, see also Table 6). In the Netherlands, reforms of the basic pension were limited to the individualisation of benefits in 1994 (Kapteyn & de Vos, 1999). Gross benefit levels held their ground relative to average wages in the Netherlands, be it in the context of relatively low real average wage growth. Figure 15 and Figure 18 show that in the 1990s net incomes of basic pension

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23 As in most Western European countries, the retirement age will be raised again in the near future.
beneficiaries increased substantially despite relatively flat gross benefits, as pensioners became eligible for local tax exemptions and decreased tax liabilities in the personal income tax system. In contrast, both gross and net basic pensions remained quite constant in real terms in the 2000s.

Table 7. Gross non-contributory benefit for an older couple as a percentage of the average gross wage

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*2003 amount; b: break in series.

Source: CSB-MIPI version 3/2013 (Van Mechelen et al., 2011); average wages from (OECD, 2014, 2015b) and from CSB-MIPI for EL and PT prior to 1999 and 1996.

### 3.4.2 Social pensions

In contrast to (conditional) basic pensions, changes to social pensions affect far fewer people, even though there are strong variations in relative caseloads (see Table 6). Remarkably, also trends in benefit levels are much more diverse. Figure 16 presents real trends in gross social pensions for a couple. For ease of presentation we distinguish between countries with more
moderate real increases or standstills in benefit levels (Germany, France, Italy and Spain) and countries where large increases took place (Belgium, Greece, Ireland, Portugal and the United Kingdom).

Germany stands out as the only country where the gross social pension decreased in real terms since the 1990s – at least for older persons living in the old Länder. This was the result of an important restructuring of the composition of the minimum income guarantee in 1996. Until 1995, West German older social assistance beneficiaries were entitled to supplements for old age within the general social assistance scheme. In East Germany, where only in 1990 a modern social assistance scheme was introduced, such supplements were lacking. The 1996 reform abolished this important difference between both parts of the country by limiting the supplements in West Germany to the ill and disabled. As a result, the gross minimum income benefit for West German older people lost 20 per cent of its value in real terms (Hanesch et al., 1994; Willing, 2008). In 2003, a new means-tested minimum income scheme was implemented specifically for older people and disabled, with a different, less stringent means test. This resulted in a substantial increase in the number of beneficiaries, although the caseload remained low in comparison with other European countries (see Table 6). In 2005, benefit levels were raised again, but remained below the West German level of the early 1990s. However, for older persons living in the new German states, minimum income protection improved markedly: given that they were never entitled to the old-age supplements in the first place, means-tested benefits were at the end of the 2000s well above their real level in 1992. Net benefits closely followed the development of gross benefits in the 1990s (see Figure 18). In contrast, the modest increase of real gross benefits in the 2000s did not translate into rising net disposable incomes due to the abolishment of supplements for one-off expenses such as clothing or household facilities.

In contrast, in France real benefit levels have remained more or less constant over the past 20 years, although in 2007 the old minimum vieillesse was replaced with a new, integrated means-tested benefit. In contrast to the old scheme, non-married partners were now treated as a couple, but this did not substantially affect the overall caseload of the scheme. At the same time, the modest increase in real gross and net benefit levels that was realised in the mid-1990s, was completely undone between 2007 and 2012, at least for couples. In contrast, for singles, net benefit rates were deliberately raised in this period (cf. Figure 18). Remarkably, the number of beneficiaries of the French social pension has, since its introduction in the mid-1950s, continuously declined as a result of improved coverage by social insurance schemes.
This trend continued over the next two decades, but slowed down since the early 2000s.

Spain implemented a proper social pension only in 1991 (Chuliá, 2007). Since 1995, benefit levels are linked to the level of social security benefits and indexed to prices. Apart from gradual increases from 1999 onwards, the Pensión de jubilación no contributiva was not reformed in the past 20 years. Nonetheless, gross as well as net minimum income protection for older people improved slightly in real terms. Also in Italy the social pension retained its real value over the past 20 years. In fact, it increased by 10 per cent. In contrast to the Spanish social pension, this development was not the result of continuous indexing combined with discretionary increases, but rather reflects a number of reforms introduced in the second half of the 1990s. In the first half of the 1990s, gross benefit levels decreased in real terms by lack of indexation of the so-called social top ups to the basic amount (i.e., the maggiorazioni sociali). In addition, in 1993 the means test of the social pension was changed from an individual to a couple basis, which meant that especially women suffered a reduction in entitlements if their husband’s income was too high for them to qualify (Eardley et al., 1996b). The minimum income protection scheme was further reformed in 1995 as part of the Dini pension reform, when the pensione sociale was replaced with the assegno sociale for all new entrants to the scheme. Benefits were higher than the pensione sociale, but supplements were abolished and a stricter means test was introduced, leading to a further decrease in gross benefit levels and a modest decline in the number of beneficiaries. Remarkably, in the aftermath of the Prodi reform of 1997, benefit levels were strongly raised between 1999 and 2001, to remain more or less constant in real terms until the end of the 2000s. In addition, since 2002, persons aged 70 and over can benefit from increased supplements (Ferrera & Jessoula, 2007; Monacelli, 2007; Sacchi & Bastagli, 2005). It is noteworthy that the limited real increases of gross social pensions in Italy and Spain sufficed to keep benefits in line with trends in average wages. This was, however, not the case for Germany and France, where the relative value of the social pension as compared to the average wage eroded (at least for couples).

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24 Gross social pension amounts for Italy correspond to the pensione sociale including pension supplements for persons below the age of 70 and from 1996 onwards to the assegno sociale.
Figure 16. Trends in gross social pension levels for couples, in constant prices, 1992–2012.

Panel A. No or moderate increases in social pensions.

Panel B. Stark increases in social pensions.

The other five social pension countries all showed substantial increases over the 1992–2012 period. In three of them (Portugal, the United Kingdom and Belgium), means-tested minimum income schemes were thoroughly reformed. Benefit increases were most spectacular in Greece and Portugal, where real gross benefit levels more than tripled. Benefit levels increased less spectacularly, but nonetheless remarkably, in the United Kingdom and Belgium. With benefit increases of about 100 per cent, Ireland lies somewhere in between. In Portugal, from the mid-1990s onwards, the government started to rapidly raised gross social pension benefits, which were generally recognised to be too low (Capucha et al., 2005; Chuliá & Asensio, 2007). This trend was further accelerated in 2006, when the Portuguese government aimed at increasing income protection for older people to the level of the European at-risk-of-poverty threshold (equal to 60% of the median equivalent disposable household income) through the gradual implementation of a new social pension. In 2006, the Complemento Solidário para Idosos was first implemented for persons aged 80 and over. Subsequently, the age limit was gradually lowered to 65 years in 2009, while gross benefit levels were further raised, resulting in a sharp increase in the number of beneficiaries (cf. Table 6).

In contrast, the stark increase of benefit levels in Greece cannot be traced back to a far-reaching reform. Apart from the lowering of the eligible age from 68 to 65 in 1993, the structure of the Greek social pension remained unchanged (Eardley et al., 1996b; Matsaganis, 2005). Nonetheless, benefit levels spectacularly increased and more than quadrupled in 20 years’ time. In the same period, the number of beneficiaries more than doubled, even though the share of older people covered remained low from an international perspective (cf. Table 6).

In Ireland, the mid-1990s marked the start of a continuous increase in gross benefit levels. As part of the first National Anti-Poverty Strategy (1997–2007), both contributory and non-contributory pension levels were strongly increased (Russell, Maître, & Nolan, 2010). This was further reinforced with the introduction of the State pension (Non-Contributory) which replaced the Old-Age pension (Non-Contributory). Although the benefit structure remained largely the same, the means test was reformed and benefit levels further increased, leading to a (temporary) increase in the number of beneficiaries in 2006. Similar to the situation in Greece and Portugal, also in Ireland benefit levels have grown faster than the average wage (cf. Table 7). In all three countries, net incomes of social pension beneficiaries followed similar trends.
In the United Kingdom and Belgium gross benefit levels increased less strongly. Nonetheless, also in these countries benefit levels grew faster than the average gross wage – at least during the 2000s. Until 1999, the United Kingdom did not provide a separate minimum income scheme targeted at older people, apart from the Over 80 Pension (or Category D Retirement Pension). Instead, general social assistance provided some additional top ups for older people. It is noteworthy that these top-ups tended to increase faster than the basic social assistance rate. In 1999 the Minimum Income Guarantee was implemented, a categorical scheme for older people, which was administrated separately by the Pensions Agency. It retained most elements of Income Support, but gross benefit levels were further increased, while additional premiums for the very old were abolished. An even bigger change was implemented in 2003 with the introduction of the Pension Credit. The Pension Credit consists of two means-tested schemes. The first part, the Guarantee Credit, is available to all persons aged 60 and above and replaces the previous Minimum Income Guarantee. In order to remove disincentives to saving, persons aged 65 and over can now – possibly on top of the Guarantee Credit – apply for the Savings Credit if they have some modest savings (Evans & Williams, 2009; Glennerster, 2007). Since November 2009, the means test disregards a higher level of savings. Figure 16 shows the gross level of the maximum benefit older persons could claim from respectively Income Support, the Minimum Income Guarantee and the Guarantee Credit. In 20 years’ time, the real value of these minimum income guarantees has increased by about 60 per cent. In addition, the number of beneficiaries has grown by more than a third since the introduction of the Guarantee Credit (cf. Table 6).

In contrast, in Belgium the 1990s were characterised by constant real gross benefit levels. From 1996 onwards, the entitlement age for women was gradually raised from 60 years to 65 in 2009, in accordance with the increasing entitlement age for the public earnings-related pension schemes. Gross benefit levels started to improve only in 2001, when a new social pension was implemented. The new Inkomensgarantie voor ouderen (IGO) introduced a less strict means test. While in the 1990s benefit levels were equal to general social assistance levels, the new benefit was associated with large increases on top of price indexation, with the aim of raising it to the level of the at-risk-of-poverty threshold. Moreover, from 2006 onwards, a 2-yearly evaluation of supplementary indexation on top of inflation became legally binding – even though the Government Agreement of 2011 scaled down the budget for these

25 The pensionable age for the Pension Credit has been gradually increased from 2010 onwards (cf. https://www.gov.uk/calculate-state-pension, last accessed June 2014).
increases (Goedemé, De Vil, Van Mechelen, Fasquelle, & Bogaerts, 2012). Not surprisingly then, both in Belgium and the United Kingdom, during the 2000s benefit levels increased as a percentage of the average wage. Net benefit levels followed a similar trend.

3.5 Recent trends during the crisis

It is interesting to assess whether these relatively favourable trends were maintained during the recent crisis. A large body of literature has by now appeared that describes and explains the impact of the crisis and crisis responses on different social policy fields (Clasen, Clegg, & Kvist, 2012; Dukelow, 2011; Farnsworth & Irving, 2011; Gauthier, 2010; Marchal, Marx, & Van Mechelen, 2014, 2016; Starke, Kaasch, & Van Hooren, 2012; Starke et al., 2013; Vis, van Kersbergen, & Hylands, 2011). However, to our knowledge, no such account currently exists as regards minimum income protection of older people. In earlier work (Marchal, Marx, & Van Mechelen, 2013; Marchal et al., 2014), we found that means-tested minimum income protection for the working age population was in the first crisis years actively reinforced in many countries. However, from 2010 onwards, austerity measures became more and more common. Generally, these were relatively hidden or technical changes, such as the skipping or changing of indexation. Nonetheless, some West European countries, most importantly Ireland and Portugal, did implement outright cuts in social assistance for the population at working age.

Figure 17 focuses more closely on trends in real benefit levels of non-contributory minimum income guarantees for older persons since the onset of the crisis. Right after the onset of the crisis, we see a limited surge in gross benefit levels. Contrary to trends in minimum income protection for the working age population, which also benefited from one-off discretionary increases (Marchal et al., 2014), the small increase for older people reflects the lagged reaction of statutory indexation rules to soaring consumer prices before the onset of the crisis. On the other hand, when the austerity tide started to affect European minimum income protection for the working aged, social and basic pensions were left relatively untouched. Benefits remained more or less constant in real terms, as statutory indexation was generally maintained. Some exceptions apply. Finland and Germany both skipped statutory indexation in 2010 as it would have resulted in lower benefits following falling prices. In addition, Finland pursued a substantial revalorisation of its conditional basic pension through the introduction of the Guaranteed pension later on (cf. supra). Germany, on the other hand, changed the underlying uprating mechanism. Only three countries actually froze their benefits
after 2009/2010, not surprisingly Ireland, Greece and Portugal. This should however be seen in the context of outright cuts in the minimum income protection provisions for the working age population (cf. Matsaganis & Leventi, 2014).

Figure 17. Real trends in gross benefit rates for an elderly couple, 2007 = 100.

Note: 2012 value for Finland equals 142.

Source: CSB-MIPI version 3/2013 (Van Mechelen et al., 2011); harmonized indices of consumer prices from Eurostat (2015); own adaptations and calculations.

These trends in gross benefit rates are largely reflected in trends in disposable income for older singles and couples throughout the crisis (see Figure 18), as the minimum income guarantee is often the sole important income component for needy older persons. In some countries, older singles and couples may be eligible for housing allowances. However, these have been generally left untouched. Only in Italy and Greece, trends in net incomes are substantially worse than trends in gross benefits in the crisis period. For Italy, this is caused by a decrease in the accessibility of regional housing benefits for older minimum income guarantee beneficiaries. In Greece, this is especially the case for owner-occupiers as a result of the introduction of an emergency property tax in 2011 (included in Figure 18).
Figure 18. Real trends in net disposable income for a household relying on the main non-contributory minimum income guarantee for older persons, 1992–2012 (1992=100).

Panel A. Single-person household.

Panel B. Couple household.

Note: Not available for DK, for FI in 1992 (2001 = 100) and SE in 2012. No trends in housing allowances available for ES, FR and NL. Simulations for IT include the regional housing allowance in Milan (family types were only eligible in 2009). Age supplements are excluded. In DE and UK, older people relying on minimum income protection in principle saw their full housing costs recompensed throughout the entire period (hence housing allowance not included). *Values for Greece, Ireland and Portugal are depicted on the right-hand axis.

3.6 Discussion

Over the past 20 years, most Western European countries implemented important changes to their public pension systems. Earlier research argued that these reforms would likely lead to lower public pensions and a shift of risks towards future pensioners in many countries (European Commission, 2012; Grech, 2015; OECD, 2009b; Zaidi et al., 2006). This observation stands in stark contrast to the relatively favourable trends in non-contributory pensions documented in this article. In our introduction, we argued that we should not per se expect similar trends for contributory pension systems and non-contributory minimum income provisions for older people, as they serve different purposes (roughly income maintenance, respectively poverty avoidance). In addition, reforms to minimum income benefits generally affect current pensioners, whereas reforms to contributory schemes tend to be implemented with long phase-in periods (so-called ‘grandfather clauses’). Yet this does not explain why non-contributory minimum income schemes generally experienced more favourable trends. Different explanations are plausible, and should be investigated in future research. When it comes to explaining trends in minimum income protection, we are convinced it is important to make a distinction between basic pension schemes and social pensions. As regards social pensions, we briefly highlight three types of explanations that may inform further research.

First, as argued by Pierson (1994), means-tested anti-poverty schemes may more easily be spared from retrenchment efforts, as their fiscal impact will be limited while social consequences may be dire. The budgetary impact of the social pensions discussed in this article is indeed relatively small, especially for countries with a relatively low number of beneficiaries such as Belgium, where expenditures on the social pension amount to less than 2 per cent of total expenditures on public pensions. While this could explain limited decline in benefits, it does not explain the notable increases in social pensions observed for a non-negligible group of countries.

Second, an alternative explanation is the use of social pensions in a strategy of division and obfuscation for carrying out broader pension reforms (Bonoli & Natali, 2012; Pierson, 1994). Older people as a group might raise substantial political power. Increasing minimum income protection for current pensioners may have the implicit aim to appease an easy-to-rally group of voters, effectively dividing current and future pensioners, especially if combined with grandfather clauses. In addition, by doing so, politicians can intermingle information on future benefit cuts (with important budgetary consequences) with news on current benefit increases (with relatively small budgetary consequences), which should cushion the negative effects on
those hit hardest by the pension reforms (cf. the Spanish reform in the first half of the 1980s, described in Chuliá, 2007).

Thirdly, politicians may be driven not only by blame-avoidance strategies, but also by considerations of credit-claiming and ‘good’ policy (Weaver, 1986). First, raising the minimum income floor for older people may have been facilitated by the Open Method of Coordination (OMC) on pensions and social inclusion (European Commission, 2005, 2012). The sharp increases of social pensions in, Belgium, Ireland and Portugal featured expressly in a national strategy to combat old-age poverty with reference to the commonly EU agreed at-risk-of-poverty threshold. These could be considered examples of ‘success’ of the OMC in the sense that the adoption of the EU social indicators may have contributed to legitimate the EU at-risk-of-poverty threshold as a valid target level of minimum income benefits. Second, a more fundamental mechanism may be that due to demographic changes, policy makers are forced to strengthen the link between contributions and pensions and to increase the required contribution record for receiving a full pension. However, both people’s possibility to work longer and their life expectancy are unevenly distributed among the population. Hence, a policy of raising contributory requirements leads to an uneven distribution of the risk of a low pension, especially for those with breaks in their working career. Policy makers may thus conclude that this should be corrected (e.g. Commissie Pensioenhervorming 2020-2040, 2014). This can only be done by strengthening minimum income entitlements, either through minimum pensions or social pensions. In other words, on the basis of this hypothesis, we would expect that the more governments strengthen the link between contributions and pensions, the more generous (residual) social pensions will be made. Of course, also other factors could be relevant, and future research should shed light on the likelihood of these hypotheses for explaining past trends and the cross-national differences observed in this article.

For (conditional) basic pensions, the explanation of recent trends may be somewhat different, as reforms to basic pensions affect many more persons and have stronger budgetary repercussions. Overbye (1997) pointed to the importance of both popular demand and budgetary pressures to the development of basic pensions. He posited that as soon as an earnings-related second public pillar complemented the basic pension, demands for a high flat rate minimum became less pressing while budgetary costs surged. Hence, it became necessary to reduce the tax-financed national pension at least by a proportion of the income from the new second-tier pension schemes, or to replace the national pension with various types of
means-tested pension supplements, which are cheaper ways to provide a minimum pension guarantee. Especially for Finland and Sweden, we do indeed find evidence of such a cost-containing shift towards a conditional basic pension. The fact that in Denmark and the Netherlands the second pension pillar is occupational rather than public might explain why both countries have not gone so far in introducing cost-saving measures to their basic pensions.

In sum, the question remains as to what are the key drivers and conditions for reforms to these non-contributory pensions. We have offered several possible explanations, but further research is needed to disentangle the precise drivers of changing non-contributory pensions. Given their expected increased importance for avoiding old-age poverty in the future, it is important to understand under what conditions their adequacy can be improved.

### 3.7 Conclusion

This study set out to assess what has happened to the principal safety net for older persons in 13 ‘old’ EU countries. We show that there is no common trend towards less generous non-contributory minimum income schemes. On the contrary, in a substantial number of countries, generosity was strongly improved over the past 20 years. Except for West Germany, gross benefit levels have at least kept pace with inflation and often even with average wages, and have improved quite dramatically in Greece, Portugal, Ireland, the United Kingdom and Belgium. Net benefit levels have generally followed gross trends. These favourable trends stand in stark contrast to documented trends in recent pension reforms. We tentatively offered some possible explanations that may serve as an input to further research. In addition, for many countries, it is not very clear how and to what extent changes to non-contributory minimum income schemes have affected poverty rates. (Figari, Matsaganis, and Sutherland (2008, 2013) provide a first comparative analysis.) Nonetheless, as in a number of countries, non-contributory minimum income schemes are likely to become more important in the future, a good understanding of their impact on poverty among older persons should be an equally important priority for further research.
PART II. MINIMUM INCOME PROTECTION IN THE CRISIS
Chapter 4: The Great Wake-Up Call? Social citizenship and minimum income provisions in Europe in times of crisis


Abstract

When the 2008 crisis hit, social safety nets in Europe were not in the best of shape. This article examines what, if anything, governments did to adjust minimum income protection after two decades of relative neglect. In view of the hardship brought by the crisis this question is of importance in itself. In addition, there is a long-standing interest in the role crises play in re-shaping policies, possibly in a radical way. Building on purpose-collected data for 24 European countries, this article shows that many countries introduced supportive measures during the first years of the crisis, particularly in the form of additional benefit increases and more generous child benefits. Behavioural requirements imposed on minimum income recipients were not relaxed but in some countries activation efforts were intensified. Although the evidence shows that the crisis did trigger a response there is little evidence for a structural change of course towards more adequate safety nets.

26 We would like to thank participants of the 9th ESPAnet conference in Valencia and the 2011 ‘Global economic crisis and the welfare state’ workshop in Bremen for their valuable comments to earlier versions of this paper. Also, the comments and suggestions of two anonymous reviewers are greatly appreciated.
4.1 Introduction

When the banking crisis of 2008 morphed into a full-fledged economic recession, causing a labour demand collapse not seen in a generation, social safety nets in most European countries were not in the best of shape. Minimum income provisions had by and large deteriorated during the two decades preceding the crisis as social policy in many EU countries had come to rest on the idea that work offered the best way out of poverty. Confronted with soaring unemployment levels, be it to varying degree, the relevance of adequate protection arrangements acquired a new level of significance. This article looks at what, if anything, 24 European countries did in the area of minimum income protection for able bodied persons at working age, during the first years of what Jenkins, Brandolini, Micklewright, and Nolan (2013) label the ‘Great Recession’. The focus is on final safety net provisions, which in most countries come under the form of social assistance schemes.

Just before the crisis hit, labour market conditions in Europe were as good as they had been in decades. Just prior to the crisis, unemployment rates in some countries had dropped to the lowest levels in a generation and employment rates had increased even more dramatically, especially in the historically lagging countries (Van Rie & Marx, 2012). This had not come by accident. A marked policy shift had taken place towards boosting labour market participation levels and reducing long-term benefit dependency. The increased emphasis on what was called ‘activation’ had taken a drastic turn in some countries, also involving social protection reforms in some cases (Bonoli & Natali, 2012). In many other countries policy shifts had occurred less visibly and perhaps also less purposeful. Yet studies showed that final safety net provisions had eroded considerably and had become less adequate in offering protection against poverty (Nelson, 2013). In all but two EU countries, minimum income benefit packages were below the EU’s at-risk-of-poverty line (Van Mechelen & Marchal, 2013).

The belief that labour markets could be relied upon to provide a life free from poverty for people capable and willing to work had incontestably spread in the years preceding the crisis. This notion quickly became untenable after 2008. Few had deemed a global financial crisis of such a magnitude and sweeping impact possible. It thus seems plausible to hypothesize that the crisis and the surge in unemployment levels that ensued, especially among young people, triggered a change in the perceived relevance and necessity of adequate social safety nets. In that context it is worthwhile to focus on policy responses in the area of minimum income provision during the first crisis years. This is clearly of major interest in itself; adequate
protection against severe financial hardship is arguably the first duty of any welfare state worthy of the name.

From a theoretical viewpoint the recent crisis is also of interest in that it presents a rare, major and rather unexpected shock to the socio-economic system. There has long been an interest in the role such major shocks play in shaping and re-shaping policies, possibly pulling long-standing (path-dependent or even path-trapped) policy trajectories off course. Research on social policy change in European welfare states during the crisis period is growing but remains also mostly descriptive (European Commission, 2009b; OECD, 2012) or, if more analytical, limited to country case studies (Dukelow, 2011; Yerkes & van der Veen, 2011). An important exception is the edited volume of Farnsworth and Irving (2011), with detailed country case studies covering a dozen countries as diverse as Iceland, China and the US, thereby offering a truly global assessment of the varying impact of the crisis on social policies at large. International organisations have also produced extensive reports on the crisis (see for instance European Commission, 2008b; International Monetary Fund, 2010; Spilimbergo, Symansky, Blanchard, & Cottarelli, 2008).

This article looks at first round crisis responses in the area of minimum income provision. The added value of this article is that it extends the sample of countries usually included in contemporary analyses to 24 EU countries, thereby allowing for a more systematic comparison of policy responses in Europe. Whereas limiting the analysis to developments in (a particular type of) minimum income schemes may seem too narrow a focus, a systematic analysis of 24 countries requires such a delineation. We build on purpose-collected policy data, capturing in a systematic way and in significant detail policy changes in the area of minimum income protection as these affect generosity, accessibility and obligations.

The focus here is on the first phase of the crisis, from 2008 until mid2010. The first signs of the financial crisis emerged in late summer 2007 in the UK and the US. It gradually developed throughout 2008 to come to a head in September/October 2008. Generally, significant policy responses in Europe only started by Autumn 2008 (Hamburg, Momigliano, Manzke, & Siviero, 2010; Sawyer, 2012). We do not include measures taken after mid2010, as the focus of this paper is specifically on the initial crisis measures. Moreover, from mid2010 on, the role of the EU became more prominent, especially in the countries that were about to receive bailout packages, profoundly shifting the environment in which measures were enacted.
In the next section, we provide a brief overview of the existing literature on crisis measures and social policy change. The third section presents the analytical framework used. In the fourth section we present the data on which this paper is based. We proceed by presenting the measures taken in the countries of our sample, and assessing these measures in a cross-temporal and cross-sectional light. Finally, we conclude.

4.2 Crises and social policy change

4.2.1 The nature of crisis-triggered policy change: incremental or pathbreaking?

An important strand of the welfare state change literature holds that pathbreaking change in social policy is hard to achieve (Hacker, 2002; Pierson, 2000). Two main perspectives on welfare state change each lay a different emphasis. One strand in the literature combines the notion of path dependence with a critical juncture approach. From this perspective, change is more likely to happen in time periods that are destabilized by large (exogenous) shocks, as these shocks open up a window of opportunity for non-incremental social policy change (for a discussion, see Kuipers, 2006; Starke, Kaasch, & Van Hooren, forthcoming; Vis et al., 2011). An alternative view emphasizes the importance of incremental change, possibly accumulating into what amounts to transformative change in the longer term. This view refers less explicitly to the notion of exogenous shocks although shocks may act as a catalyst in processes of incremental change (Streeck & Thelen, 2005; Thelen, 2004; Yerkes & van der Veen, 2011).

It is worth noting that immediate crisis responses may have a specific character because they are usually taken with limited preparation time and under acute external pressure (Chung & Thewissen, 2011). Nevertheless, pathbreaking changes that can only be enacted through legislative reform will usually still require considerable political bargaining efforts, including with interest groups. Even though this may be less the case for minimum income schemes, where those affected are generally less organized and less powerful than the beneficiaries of the main social insurance schemes, we do not expect first crisis responses to constitute large departures.

4.2.2 Direction of change: Expansion or retrenchment?

Social protection plays a key role in preventing severe financial hardship when markets fail (Immervoll & Llena-Nozal, 2011; Matsaganis, 2011). The declined generosity of unemployment insurance arrangements (Clasen & Clegg, 2011) and the surge in nonstandard
work may have increased the potential significance of minimum income schemes (Immervoll, 2012a). The crisis abruptly and sharply changed the context which allowed policy makers to either neglect or ‘activate’ minimum income schemes over the preceding decades. The crisis critically undermined the notion that markets could be relied upon to provide adequate incomes for all those capable and willing to work. The crisis, and the surge in unemployment levels in particular, may have prompted policy makers to reassess the importance of ‘passive’ protection. It is also relevant to note that there is some evidence that public opinion is more favourable towards income support schemes for the unemployed in times of economic crises (Jeene, van Oorschot, & Uunk, 2014; Pfeifer, 2009).

In addition, a number of countries turned towards Keynesian measures in the immediate aftermath of the crisis. Even the European Commission and the IMF advocated fiscal stimuli and explicitly mentioned income support as a valid crisis strategy, as increases in transfers to the poor are deemed more likely to feed through in aggregate demand (European Commission, 2008b; Spilimbergo et al., 2008).

4.2.3 Uniformly across countries?

The challenges posed by the crisis varied across Europe. The crisis morphed from a financial crisis into a recession and a fiscal crisis between 2007 and 2010, and afterwards culminated in a Eurozone crisis (Hemerijck, 2012) and, for some states, a crisis of the welfare state (Gough, 2011). Hay and Wincott (2012) disentangle the varying origins of the current crisis over countries. They distinguish a group of ‘first wave’ countries, to which the crisis initially came as an endogenously created shock. To this group belong countries as diverse as the United States, the UK, Ireland, and the Baltic, Eastern and Southern European countries. These are the countries where the crisis took a head start, pushing economies in recession from beginning 2008 onwards. The ‘second wave’ countries only experienced a recession from the third quarter of 2008 on, through contagion of their financial sectors. Also for the ‘third wave’ countries, who slid off into a recession in the last quarter of 2008 due to declining world trade, the crisis was an exogenous shock. Hay and Wincott argue that to the extent these different origins reflect the intensity of challenges as well as the scope for returning to previous growth models, these different causes of the economic downfall will reflect in diverging welfare levels. Also Farnsworth and Irving (2011) stress the need to take account of the varying types of crisis in the different countries in order to understand and predict social policy changes. Moreover, they argue that welfare regime, institutions and policy actors will codetermine
effects. In a review of labour market policy responses in six countries, Clasen et al. (2012) stress that reactions were enacted in two phases. Initially labour market policy was used to cushion the effects of the crisis on labour markets and workers, albeit with varying intensity. Then, generally from 2010 onwards, fiscal concerns came to the fore, although to a varying extent in the six countries of their analysis. It is worth noting, however, that governments were faced with multiple challenges from the start, competing to some extent for attention and financial resources. Cost containment concerns must have played an important role even during these first years although there was not yet the pressure from financial markets that took centre-stage after mid-2010.

In sum, we expect that against the background of a period of relative neglect and activation, governments initially directed additional support towards low income families through increases in minimum income benefits and additional allowances. We also expect a weakening of the earlier activation trend in the shape of increased behavioural obligations. However, we do not expect to see fundamental reforms in the limited time frame under consideration here. Finally, we expect the varying impact of the crisis across Europe to have had an impact on the intensity of the national policy response.

4.3 Analytical framework: assessing policy change in the area of minimum income protection

To gauge the nature and direction of the first round crisis measures in the domain of minimum income protection, we follow Yerkes and Van der Veen (2011) in approaching this question from a social citizenship perspective. This perspective allows for a more nuanced assessment of policy changes as compared to assessing change in a dichotomous expansion vs. retrenchment setting.

More in particular, we focus on social citizenship guaranteed by minimum income schemes catering for able-bodied persons of working age who are not covered by social insurance schemes. Minimum income provisions are of paramount importance in the whole welfare state edifice because they effectively define what social citizenship minimally entails (Bahle et al., 2011; Leibfried, 1992). The specific focus on able-bodied persons of working age is warranted as they were a prime target group of activation policies during the pre-crisis years. Moreover, the rise in unemployment directly affected this population group, translating into stark increases in the caseloads of the schemes that cater for this group (Marchal, Marx, & Van Mechelen, 2011). The exact impact of the crisis on minimum income schemes’ caseloads
depends on the role these schemes play in the total welfare state set up. There is considerable variation here, ranging from constituting the near-equivalent to unemployment insurance in the United Kingdom, Ireland and Germany to a more patchy safety net of last resort in some of the Southern and Eastern European countries (see Bahle et al., 2011, pp. 200-205).

It is not our goal here to assess differences in social citizenship guaranteed by minimum income schemes, but to gauge policy changes in response to the crisis. Social citizenship is constituted by social rights and obligations (Kvist, 2007; Marshall, 1950). According to Kvist (2007), social rights are manifested through different configurations of benefit characteristics, i.e. generosity of benefits and eligibility criteria. Most studies have focused on these dimensions of social rights, be it that benefit generosity has been more often employed, given its straightforward interpretation, quantitative nature and availability (Bradshaw, 2010; Nelson, 2010). However, the shift of social policy measures towards activation has by now been extensively documented (Aurich, 2011; Eichhorst & Konle-Seidl, 2008; Immervoll, 2010; Kenworthy, 2010; Weishaupt, 2013). Obligations and behavioural requirements have been strengthened and made more explicit and should therefore be taken into account when assessing changes in social citizenship.

In line with earlier studies, we recognize the prime importance of benefit levels that allow a life free from financial poverty. This requires that we look at gross benefit levels. Yet from the perspective of the rights guaranteed to minimum income recipients, the impact of measures on net disposable incomes is equally important. Consequently, we also include changes in additional support measures benefiting minimum income recipients such as housing and heating allowances, as well as child benefits. Minimum income recipients may also benefit from additional in kind benefits and (free) access to services. However, quantifying such measures is fraught with difficulties. First, provision is often only guaranteed at the local level, leading to large intra-national differences in presence and level. Second, their face value depends heavily on actual use that is determined by the specific characteristics of each beneficiary unit. Third, some of these measures are only discretionarily awarded, therefore not matching with a rights-based perspective.

Access to minimum income benefits, as well as to some of the other benefits for which minimum income recipients are eligible, depends on conditions as diverse as having children and their ages, the financial situation of the household or the age of the claimant (Eardley et al., 1996b; Frazer & Marlier, 2009). Harsher access conditions have a negative impact on the
social rights guaranteed by minimum income schemes. A mere focus on benefit levels neglects this important aspect of social rights.

The past few decades have seen an increase in conditions regulating benefit receipt. This is relatively well-documented for unemployment insurance benefits (Weishaupt, 2013). This is less so the case for minimum income benefits, although also here there are indications of a shift to more stringent activity requirements, reasonable job definitions and sanctions tied to not complying with behavioural conditions (Aurich, 2011; Eichhorst & Konle-Seidl, 2008). A problem that is especially relevant for these types of measures is how to treat possible (and probable) discrepancies between implementation and regulation (Clasen & Clegg, 2007). Here, the focus is on statutory rights and obligations.

Table 8 summarizes these dimensions and presents the indicators we will use to assess crisis-induced changes in the period 2008 to mid2010.

Table 8. Operationalisation of the dimensions of social citizenship

<table>
<thead>
<tr>
<th>Generosity</th>
<th>Rights</th>
<th>Accessibility</th>
<th>Obligations</th>
</tr>
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<tbody>
<tr>
<td>Trends in benefit levels (nominal, real, % average wage)</td>
<td>• Description of policy measures impacting on access/eligibility conditions (including time limits) to minimum income benefits and other income components</td>
<td>• Description of policy measures impacting on the conditions for benefit receipt</td>
<td></td>
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<tr>
<td>Crisis has also impacted on the denominators</td>
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<td></td>
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<tr>
<td>Comparison with previous trends in benefits allows to assess hidden retrenchment</td>
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<td></td>
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<tr>
<td>• Description of first round crisis measures impacting on other income components</td>
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</tbody>
</table>
### 4.4 Data

This paper builds on the CSB-MIPI dataset, an expert-sourced dataset that covers in detail the institutional arrangements relating to different minimum income protection schemes. The present paper draws on the information regarding the minimum income scheme catering for able-bodied unemployed falling outside the scope of the insurance scheme. Information is available for 24 EU countries\(^\text{27}\), for the period 1992-2010. The data set includes annual time series on gross benefits. The core of the dataset consists of detailed model family simulations that grasp the interplay of various schemes and measures in providing a minimum income package to various types of households. Information is also gathered on activity requirements for able-bodied minimum income recipients of working age. Most importantly for our present purposes, the 2010 wave included a special crisis module, gathering information on the crisis measures taken in the period 2008-2010. The data is provided by national experts on the basis of detailed questionnaires and instructions. Many have participated in earlier studies on social benefit packages (Bradshaw & Finch, 2002; Eardley et al., 1996b), or currently participate in EUROMOD. More information on the methodology and content of CSB-MIPI, as well as a list of the national experts contributing to this data set, can be found in Van Mechelen et al. (2011).

By first defining the group at risk (here the working-aged able-bodied who fall outside the social insurance scheme and are without a job), equivalent schemes are compared across countries, instead of schemes that merely have a similar name. In most European countries this target group is catered for by the general final safety net, i.e. the minimum income schemes that provides support to all those who have passed the means test. Yet in a number of European countries this target group receives support under a categorical income support scheme, i.e. a safety net explicitly targeting able-bodied who are not (or no longer) entitled to contributory insurance benefits. This is the case in the United Kingdom, Ireland, Germany, Finland and Hungary (see Bahle et al., 2011).

Another important difference relates to the government level responsible for regulating the minimum income scheme (Kazepov, 2010). In Austria (until September 2010), Italy and Spain, the minimum income scheme is a subnational responsibility. CSB-MIPI contains information for respectively the localities Vienna, Milan and Catalonia. For Sweden, where

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\(^{27}\) EU27 excluding Cyprus and Malta. In Greece, no minimum income protection scheme for the able-bodied of working age exists.
municipalities have a large degree of autonomy, CSB-MIPI provides information for Stockholm. This paper covers measures impacting on the net disposable income of persons receiving support under these schemes, i.e. it includes changes in additional support if minimum income beneficiaries are entitled, even when this additional support is provided through a different scheme.

CSB-MIPI includes policy changes that impacted on the net disposable income of minimum income recipients, as well as conditions tied to minimum income receipt in the period under consideration, i.e. implemented in the period 2008-mid2010. As the focus of this paper is on crisis measures, tables and figures do not include measures that were clearly prepared before the period under consideration and that were implemented in the first crisis years without further modification or reference to the crisis. This includes changes to indexation or uprating mechanisms. This distinction draws on assessments by national respondents and additional sources where available. As the information on changes in gross benefit levels is based on the CSB-MIPI time series, instead of on the qualitative information mentioned in the crisis questionnaire, here countries are reported when real year-on-year increases in gross benefit levels for a couple exceed the average year-on-year increase in the four years preceding the crisis.

What should we look for in our data? An important consideration is that expansionary measures may be more visible and explicitly legislated than retrenchment measures. Indeed, various authors have forcefully argued that retrenchment measures are more likely to occur through less visible administrative or technical adaptations, or even through non-intervention, in order to provoke less resistance (Pierson, 1996). In the context of minimum income protection this may occur through non-interventions such as skipping indexation, or small, technical changes such as tinkering with eligibility parameters.

As regards the generosity of minimum income benefits, where non-intervention may be particularly relevant, our time series of gross minimum income benefits allow to gauge nominal increases or standstills. We also compare trends in gross benefits to more substantively relevant denominators like prices and average wages. These, however, are influenced by other factors than policy alone.

Changing access and behavioural conditions generally require explicit legal changes, although these are often of a rather technical nature. The data employed in this paper allow in principle to capture such changes. Also in this field, creeping retrenchment is possible by not adjusting nominal eligibility thresholds. This kind of retrenchment is harder to gauge, and the data
employed in this article may fail to fully take account of this. When there is a link between the benefit levels on the one hand, and the eligibility thresholds on the other, creeping retrenchment in benefit levels may also point towards a tightening of access.

4.5 Crisis responses

4.5.1 Benefit generosity

4.5.1.1 Gross minimum income benefit level

We start with considering what happened to benefit levels. In the pre-crisis period, nominal increases were rather common, generally because most countries (either or not automatically) adjust gross benefits levels for price rises at regular intervals (Van Mechelen & Marchal, 2013). Indeed, in just six countries there is no statutory adjustment mechanism for social assistance benefits; the development entirely depends on ad hoc decisions (Ireland, Bulgaria, Estonia, Latvia, Lithuania, and the Slovak Republic). In a limited number of other countries, such as Poland and Romania, the law defines parameters the government should take into account for uprating benefits (e.g. consumer prices and periods), although actual indexation is not enforced. However, in most of these countries, governments did in fact issue periodic increases in the years before the crisis. This is especially so in Ireland, where a strengthening of the safety net was part of an anti-poverty strategy. Significant decreases of gross benefit rates were rare and occurred only in the Czech and the Slovak Republic. Both were part of far-reaching reforms of the social safety net. Also, in both cases, effects on net disposable income were not quite so pronounced, given the impact of housing allowances (CZ) or conditional top-ups (SK).

During the first crisis years, nominal growth rates did not slow down (see Figure 19). In 2008-2009 (coinciding with fiscal stimulus programmes) benefit levels in fact increased, in over half of the countries of our sample exceeding the average increases during the pre-crisis period. Exceptions are the Czech Republic, Estonia and Poland, where nominal benefits did not increase at all. Although Estonia had issued some substantial increases in the two years prior to the crisis, this was discontinued. The Czech Republic maintained its indexation rule that requires a surge in consumption prices of over 5 per cent (MISSOC, 2009). In Poland, the government decided to skip the indexation that should have taken place in 2009. Growth rates decelerated and even halted later on in the crisis. An exceptional development occurred in Ireland, where minimum income benefits were actually cut by around 4 per cent.
Earlier research shows that in the 1990s the *purchasing power* guaranteed by gross minimum income benefits has decreased in a large number of Western European countries (Cantillon et al., 2004; Nelson, forthcoming). Yet in the years preceding the crisis most countries succeeded in keeping minimum income benefits in line with trends in consumer prices (Van Mechelen & Marchal, 2013). It is important to see whether this development was maintained during the crisis. Did the nominal increases succeed in safeguarding the purchasing power of social assistance benefits?

Figure 19 shows that during the years prior to the crisis, gross benefits on average maintained their purchasing power. In more than a few countries, benefit levels even increased (somewhat) more than consumer prices. Nevertheless, there are some important exceptions, mainly in those countries where no automatic indexation procedure exists (e.g. Bulgaria and Latvia). However, discretionary indexation did not necessarily lead to erosion. Benefit levels increased faster than consumer prices in, for instance, Ireland, Lithuania and Estonia, due to substantial hikes enacted by the government (see also Van Mechelen & Marchal, 2013).

Following the onset of crisis we see substantial real hikes in most of the countries. This is partially due to the lagged reaction of indexation mechanisms to in some cases quite substantial pre-crisis increases in consumer prices. However, these automatic increases were reinforced by discretionary increases of gross benefits in a substantial number of countries, leading to real increases above trends in pre-crisis years. Later on, the deceleration in nominal growth seen for 2009-2010 led in some countries to a small loss in purchasing power. However, bar a few exceptions (most importantly Ireland), this decrease does not appear exceptional when compared to pre-crisis trends.
Figure 19. Trends in gross social assistance benefits for a couple, EU 24, 2004-2010 (2004=100)

Note: excl. HU, BG. For average wage: 2005=100.

Source: CSB-MIPI (Van Mechelen et al., 2011), HICP from Eurostat (2012), average wages from OECD (2011a)

Also relative to average wages, there are no indications for an erosion of benefit levels during the first crisis years, rather the reverse is true. Whereas benefit levels eroded relative to average wages in more than half of the countries in our sample in the years before the crisis, a further erosion of benefits remained very limited in 2008-2009. Moreover, as average wages decreased in some (mainly Eastern European) countries, the relative value of benefit levels even improved. In line with the deceleration of nominal growth levels, relative benefits did decrease in the majority of countries in 2009-2010, but this erosion remained in line with pre-crisis annual changes.

All in all, trends in gross social assistance benefit levels prior and during the crisis provide no indications for a retrenchment round immediately after the onset of the crisis. Yet there is also little evidence for a substantial revalorisation of minimum income protection provisions. In most countries, nominal as well as real increases occurred, especially immediately after the

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28 Only Ireland, Portugal, Spain (Catalonia), Belgium, the Netherlands, Germany and Austria (Vienna) succeeded in maintaining or improving relative gross social assistance benefits. However, these countries had allowed a substantial erosion of gross benefit levels in the 1990s, as documented in previous research (Cantillon et al., 2004).
start of the crisis. In some countries these increases countered a trend of gradual decline during the pre-crisis years, but the size of the increases does not point to marked breaks in long-term trends. After 2009, annual growth rates are indeed back in line with pre-crisis trends. Generally, there are no indications for hidden retrenchment, except for the rather obvious case of Poland, where statutory indexation was skipped.

4.5.1.2 Supplementary allowances and child benefits

Minimum income recipients often receive on top of their social assistance benefits child cash benefits and supplementary allowances such as housing or heating allowances, one-off emergency payments etc. The following presents changes in those benefits for which (the families of) able bodied minimum income recipients of working age are eligible in the respective countries.

Many governments have used additional benefits and one-off payments to sustain household consumption and protect families’ living standards in the aftermath of the crisis (Immervoll & Llena-Nozal, 2011). To the extent that these additional benefits are not included in the means-test, measures impacting on these income components do affect the generosity of the minimum income package.

Table 9 provides an overview of the countries that issued crisis measures impacting on the net disposable income of minimum income recipients. France and Slovenia both established a crisis premium for specific low income groups whereas the Hungarian government introduced one-off emergency payments. Italy issued a social card system targeted at low income households with young children and urgent needs, entitling them to a budget that can be spent on the purchase of household goods. Luxembourg and Finland introduced more structural policy measures, in the sense that these were not introduced on a one-off basis and/or were targeted to a larger group of able-bodied minimum income recipients. In Luxembourg, the heating allowance was replaced by a substantially higher cost of living allowance. In Finland, the activation allowance was also raised for recipients of the Labour Market Subsidy, and its duration extended. However, these latter changes were not directly crisis-related.

Another commonly used approach to contain the downturn’s damaging effects on household income have been improvements in child cash benefits (OECD, 2011b). For example, in 2008 the Austrian government decided to increase the universal child cash benefit by increasing the number of payments from 12 times per year to 13 times. In 2009 the Austrian tax credit for families with children was raised. Similarly, Romania improved both its universal child cash
benefits and means-tested child allowances in 2008. Comparable adjustments can be found in Latvia, Portugal, Germany and the United Kingdom (see also Gauthier, 2010).

Measures negatively impacting on the generosity of minimum income recipient’s rights were far less common. Estonia abolished a school allowance, whereas Latvia, Ireland and Portugal decreased (some of) their child benefits. The United Kingdom made indexation of minimum income benefits less generous in 2010, and skipped indexation altogether for some other benefits, including child allowances.

Consequently, supportive measures were far more common than generosity reducing measures, especially in the first crisis years. By 2010, (crisis) measures became relatively rare (see Figure 20). Only five countries issued crisis measures impacting on the net disposable income of benefits, of which three were negatively oriented. This seems to be in line with the relative absence of additional real increases in gross benefits in 2009-2010.

4.5.2 Access to benefits

Whereas the generosity of benefits was initially increased, Table 9 shows that rules determining access to benefits remained relatively unchanged during the first crisis years. In 2008, changes to means-tests, time-limits, nationality conditions etc. were quite exceptional. In 2009, the number of countries that altered eligibility rules increased. Changes were often induced by adjustments to the means-test that resulted from changes in benefit levels. However, there is no uniform pattern across countries. While countries like Bulgaria and Slovenia expanded the coverage of their social safety net or housing allowance scheme, the reforms in Lithuania, Romania and Hungary were intended to restrict access to social assistance or other means-tested benefits. Latvia even combined expansionary and tightening measures; persons with mortgage liabilities became eligible for minimum income benefits but at the same time a larger part of the child benefits became included in the means-test.
Table 9. Crisis measures implemented in 2008-mid2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross</th>
<th>Additional allowances</th>
<th>Access*</th>
<th>Behavioural conditionality</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>AT BE DK ES FI FR IT LT LU LV PT RO SE SI UK</td>
<td>AT LT PT RO</td>
<td>LT</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>DK LV RO SK AT DE PT UK FR HU IT</td>
<td>BG</td>
<td>RO LV SI (to housing allowance scheme)</td>
<td></td>
</tr>
<tr>
<td>2010 (to mid 2010)</td>
<td>n.a.</td>
<td>AT LV</td>
<td>FI (activation allowance)</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>PL</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>DE EE ES FI IE IT LT LU PL SE UK</td>
<td>LV EE</td>
<td>LT** (to child benefit)</td>
<td></td>
</tr>
<tr>
<td>2010 (to mid 2010)</td>
<td>n.a.</td>
<td>IE PT UK</td>
<td>HU</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>(to mid 2010)</td>
<td>IE PT UK</td>
<td>HU</td>
<td></td>
</tr>
</tbody>
</table>

**Note**: Gross column represents countries where gross minimum income benefits increased (decreased) in 2008-2009/2009-2010 - including increases as of January, 1st 2009/2010 - more (less) than the average annual increase in the period 2004-2008, and at least (-)1 percentage point in real terms. No information on gross benefit levels available for 2010 – mid 2010. No gross benefits were available for Hungary and Bulgaria. *Only mentioned where respondent notes actual change. However, sometimes parameters for access may be tied to gross benefits. **Changes to the income threshold/means test for the particular benefit mentioned. Actual impact on minimum income recipients depends on specific situation and interaction with means test for minimum income protection.

**Source**: CSB-MIPI (Van Mechelen et al., 2011)
In 2010 quite a number of countries reduced access to minimum income protection, and especially to benefits for families with children (Table 9). Eligibility rules for child related benefits became stricter in Austria, Ireland and Lithuania. While the generosity of cash child benefits generally improved during the early crisis period, the coverage of benefits schemes was subsequently scaled back. It is too early to draw final conclusions but the data available seem to suggest that as the economic downturn persists, crisis response measures increasingly become in the grip of austerity packages (OECD, 2011b).

4.5.3 **Obligations: behavioural conditionality**

Behavioural requirements do not directly impact on net income, but aim to regulate the behaviour of minimum income recipients through the use of sanctions tied to activity requirements. Often these activity requirements are coupled to additional support of investments in skills and human capital. This aspect of minimum income schemes has gained in importance over the last decade as governments have become more focused on activation (Eichhorst & Konle-Seidl, 2008; Weishaupt, 2013). Here we focus on legal changes in behavioural (activity) requirements.

The general absence of legal changes regarding behavioural requirements is striking. Only in Romania, a very small group of minimum income recipients (those caring for a disabled child aged 16-18) got exempted from labour force activation. Changes were generally only enacted by reforms prepared before the onset of the crisis. This was the case in France, the Netherlands, the United Kingdom, Hungary, and the Czech Republic. In the latter two countries, more stringent activity requirements became explicitly tied to financial incentives. Hungary enacted a reform of the minimum income scheme; able bodied persons of working age, who have no care responsibilities, are since 2009 eligible for a more generous ‘stand by’ allowance. This allowance is however conditional upon participation in an employment programme for a certain number of hours per week. Later on, it was stipulated that only one adult per household could receive this ‘stand by’ allowance. In the Czech Republic, after 6 months of benefit receipt, the minimum income benefit is decreased, unless one participates in employment programmes or voluntary work. Notable about these changes is that these were implemented despite the crisis.
Figure 20. Share of countries implementing expansionary and tightening crisis measures in three dimensions of social citizenship, 2008-mid2010

Note: ‘Gross’ represents countries where gross minimum income benefits increased (decreased) in 2008-2009/2009-2010 - including increases as of January, 1st 2009/2010 - more (less) than the average annual increase in the period 2004-2008, and at least (-)1 percentage point in real terms. No information on gross benefit levels available for 2010 - mid 2010. No gross time series available for Bulgaria and Hungary. Hence, N = 22 for gross category instead of N = 24 for the other categories. See also footnote to Table 9. Depiction based on Immervoll and Llena-Nozal (2011).

Source: CSB-MIPI (Van Mechelen et al., 2011)
On the other hand, a significant number of countries increased budgets for job search assistance and activation programmes in the initial stages of the crisis (such as Belgium, the Czech Republic, Denmark, Estonia, Finland, Latvia, Portugal, Sweden, Romania, the UK). However, participation in activation programmes is only seldom a ‘right’. Often discretionary selection applies, and in many countries access to programmes for the unemployed remains difficult for minimum income recipients. Also, except in Denmark, the Netherlands and Finland, the number of places available is (much) smaller than the number of potential beneficiaries.

4.6 Discussion and conclusion

Just before the crisis arrived unemployment levels were at the lowest level seen in a generation in many European countries. The belief that boosting employment, activation and social investment offered the way forward in bringing down poverty and strengthening social cohesion had become common currency. Minimum income schemes had suffered two decades of relative neglect in many countries.

This article has asked whether the crisis brought any change. It seems plausible that it did. The crisis rendered the idea that people capable and willing to work ought to be able to generate an income in the labour market, with government support if necessary, patently untenable in many countries. It seems plausible to expect that the crisis brought a re-evaluation of the role of ‘passive’ minimum income schemes in ensuring social citizenship, especially in times of crisis. We have assessed here the impact of the crisis on the generosity, accessibility and conditionality of minimum income schemes during the first years of the crisis.

This article focused on the measures taken in the initial phase of the crisis, in the period 2008 to mid-2010. We find a general pattern of increases in gross minimum income benefit levels across the EU, especially in the years 2008 and 2009, before fiscal considerations took centre stage. In some countries these increases countered a trend of gradual decline during the pre-crisis years. Yet the size of the increases does not point to marked breaks in long-term trends. In a substantial number of countries we find (additional) measures to boost the net income

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29 In Belgium, subsidized employment for minimum income recipients was temporarily expanded in 2010 and 2011. In the Czech Republic, municipalities could expand activation opportunities by organizing public service. In Estonia, more service providers were eligible to provide labour market training to benefit recipients. Portugal as well as Romania increased employer subsidies. The UK introduced new recession-related activation programmes.
packages of households reliant on social assistance or equivalent minimum income support. Most frequent are (targeted) hikes in child-related benefits. Some countries awarded one-off lump-sum benefits. Changes to eligibility conditions of minimum income schemes generally remained limited. Behavioural requirements imposed on minimum income recipients were neither tightened nor relaxed but in some countries, activation efforts aimed at minimum income recipients were intensified. Moreover, earlier prepared conditionality measures were introduced in a number of countries. If anything, it therefore seems that increased activation was only put ‘on hold’ in the first crisis years, in the sense that it was not perceived as a valuable crisis strategy.

Although supportive measures are the general pattern during the initial phase of the crisis, some retrenchment measures become evident later on in at least a number of countries (Figure 20). From 2010 onwards most countries did not issue further expansionary measures. In some countries indications for retrenchment appear in 2009 and 2010. Whereas the expansionary measures that were mainly observed in the first crisis years generally centred on increases in benefits, retrenchment measures were more often enacted through changes in access conditions. Examples include: skipping indexation, tightening the means-test, abolishment or decrease of additional benefits (for instance child benefits). Only one country, Ireland, actually cut minimum income benefits. This is broadly in line with the retrenchment literature where it is argued that retrenchment is often pursued through less visible, apparently technical changes. Countries that introduced retrenchment measures were mainly those where the crisis hit the hardest (Hay & Wincott, 2012).

In sum, there are no indications for decisive breaks in policy relating to minimum income protection during the first crisis years. Neither the size of the increases nor the choice of instruments (i.e. temporary one-off allowances) point to pathbreaking ruptures towards more adequate social safety nets. In the meanwhile pressures for public spending cuts have mounted in most EU countries. Financial markets appear far from appeased and the outlook of some European countries remains uncertain at best. Various European governments have embarked on a policy of budget austerity or are being pressed to do so. Policy change in the direction of retrenchment seems not implausible and various countries have already started to prepare reforms of their social protection schemes. A close and continued monitoring of Europe’s social safety nets is thus in order.
Chapter 5: Minimum income protection in the austerity tide


Abstract

Scholarly literature is inconclusive on how economic crises impact on minimum income protection. Earlier studies found small increases in the generosity of safety nets at the onset of the crisis. Yet an increased focus on budget austerity substantially altered the social policy context. This paper assesses how minimum income floors weathered the austerity tide following the crisis using purpose-collected data for 23 EU countries. Generally, social assistance benefit trends did not deviate much from pre-crisis growth levels. Yet retrenchment did occur through more technical measures, the combined impact of which was quite significant in some countries.

\(^{30}\) The authors would like to thank participants to the ECPR General conference (Bordeaux, 5-7 September 2013) and the ESA Crisis, Critique and Change conference (Turin, 28-31 August 2013) for helpful suggestions and comments.
5.1 Introduction

This article looks at what 23 EU countries undertook in the crucial area of minimum income protection (MIP) for able bodied persons at working age during the first five years of what Jenkins et al. (2013) have dubbed the ‘Great Recession’, with a particular focus on the period when austerity started to take hold. This article follows up on Marchal, Marx and Van Mechelen (2014), in which we assessed how MIP schemes weathered the onset and initial phase of the crisis. That article started from the observation that just prior to the crisis social safety nets were not in the best of shape in Europe. Minimum income provisions had by and large deteriorated during the two decades preceding the crisis, as social policy in many EU countries had come to rest on the idea that work offered the best way out of poverty. Suddenly confronted with unemployment levels not seen in a generation, the relevance of adequate protection arrangements acquired a new level of significance.

We did find evidence of efforts to raise the social floor right after the onset of the crisis, a finding also confirmed for other fields of the welfare state (see e.g. Clasen et al., 2012; Gauthier, 2010; International Labour Organization & World Bank, 2012; Isik-Dikmelik, 2012; Marchal et al., 2014; Vis et al., 2011). Yet the size of these increases did not point towards a sea change in MIP policies. All in all, these first supportive measures seemed relatively short-lived, as additional efforts became rarer from the end of 2009 onwards. Meanwhile, soaring national debts had harsh impacts on countries’ finances and their position on financial markets. A hesitant recovery proved short-lived, a double-dip recession ensued, and EU countries were confronted with prolonged low, or in some cases negative growth rates. Countries that had to apply for financial support had to follow stringent austerity trajectories. Also elsewhere, European governments were concerned with reducing debts and deficits while EU budgetary control strengthened, through the Excessive Deficit and Macro-Economic Imbalances Procedures.

In this paper, we focus on what happened to MIP in the later stage of the crisis, as the austerity tide washed over Europe. In Marchal et al. (2014) we hypothesized that the changes for the better would be short-lived, as budget austerity was already looming on the horizon. Here we test that conjecture. This research question is relevant in its own right as social indicators show a continuing need for income replacement and protection benefits (Eurostat, 2015). MIP schemes, in the shape of means-tested social assistance benefits, play a key role in preventing severe financial hardship when markets fail and when social security rights are not available, inadequate or depleted. In addition, we know little about changes to MIP schemes

124
and – more generally - social floors. Whereas some authors consider these schemes to be more prone to retrenchment due to their vulnerable target group (Korpi & Palme, 1998; Nelson, 2007b), others hold that given their small budgetary impact and enormous social relevance, social floors will be relatively untouched (Pierson, 1994, 1996). Interestingly, this latter position seems to be confirmed by some of the major players within austerity-ridden Europe: the European Commission and the International Monetary Fund (Economic Policy Committee (AWG) & DG for Economic and Financial Affairs, 2009; International Monetary Fund, 2012).

The extended time frame of this paper (until 2012, five years into the crisis) as well as the relatively large number of countries included (23 EU countries) allow us to assess how MIP fared after the initial crisis shock wore off. We focus explicitly on minimum income schemes, an area that arguably offers a clear indication of the changes at the floor of the welfare state. Moreover, the declined generosity of unemployment insurance arrangements (Clasen & Clegg, 2011) and the surge in nonstandard work may have increased the potential significance of minimum income schemes (Immervoll, 2012a). We build on purpose-collected policy data, capturing in a systematic way and in significant detail policy changes in the area of MIP as these affect generosity, accessibility and obligations.

In the next section, we provide a brief overview of the existing literature on crisis measures and social policy change, particularly in the area of MIP. The third section presents the data on which this paper is based and the analytical framework used. We proceed by presenting the measures taken in the countries of our sample, and assessing these measures in a cross-temporal and cross-sectional light. Next, we discuss the overall pattern of crisis responses and assess whether some countries distinguish themselves by the type of measures they have enacted. Finally, we conclude.

5.2 Theory: Crisis pressures, and crisis constraints

This paper sets out to assess changes to MIP taken in the immediate aftermath of the crisis and the austerity years that followed. In the two decades prior to the crisis, minimum income provisions had by and large eroded. By the start of the crisis, minimum income provisions were largely inadequate in nearly all EU Member States (Van Mechelen & Marchal, 2013). Confronted with soaring unemployment levels the relevance of adequate protection arrangements acquired a new level of significance and urgency. The crisis abruptly changed the context which had allowed policy makers to either neglect or ‘activate’ minimum income
schemes over the preceding decades. Also, it critically undermined the notion that well-functioning labour markets could be relied on to provide adequate incomes for all those capable and willing to work.

Yet the literature is not clear on the effects of crisis on social protection, and MIP in particular.

The compensation hypothesis holds that as demand for social protection increases in times of crisis, more resources will be directed towards adequate protection (Shahidi, 2015). Indeed, empirical studies confirm that in the wake of the crisis, discretionary support was ubiquitous: countries initially turned towards Keynesian measures in the immediate aftermath of the crisis (Chung & Thewissen, 2011; Marchal et al., 2014; Vis et al., 2011). The European Commission and the IMF advocated fiscal stimuli, and explicitly mentioned income support as a valid crisis strategy, as increases in transfers to the poor were deemed more likely to feed through in aggregate demand (European Commission, 2008b; Spilimbergo et al., 2008). In addition, Dolls, Fuest, and Peichl (2012) argue that discretionary support was relatively more substantial in countries where social protection was less well developed to start with.

Yet the challenges posed by the crisis varied greatly across Europe and over time. The crisis morphed from a financial crisis into a recession and then a fiscal crisis between 2007 and 2010, afterwards culminated in a Eurozone crisis (Hemerijck, 2012) and, for some states, a crisis of the welfare state (Gough, 2011). In a review of initial labour market policy responses in six countries, Clasen et al. (2012) stress that reactions were enacted in two phases. Initially labour market policy was used to cushion the effects of the crisis on labour markets and workers, albeit with varying intensity. Then, generally from 2010 onwards, fiscal concerns came to the fore, although, again, to a varying extent in the six countries of their analysis. It is worth noting, however, that governments were faced with multiple challenges from the start, competing to some extent for attention and financial resources. Cost containment concerns must have played an important role even during these first years although there was not yet the acute pressure from financial markets which took centre-stage after mid-2010. Indeed, there can be little doubt that austerity later became the main theme, as it became clear that a double dip scenario was unfolding and a prolonged period of low growth and by implication budgetary restraint would ensue. That is not to say that austerity hit the continent in equal measure. The initial effect of the crisis had been varied, but public finances were also in much better shape in some countries as opposed to others (Farnsworth & Irving, 2011).
The impact of this austerity shift in more recent years is unclear. Some authors posit that small, residual schemes will survive austerity rounds relatively unscathed, given their small impact on general expenses and important social consequences (Pierson, 1994). Alternatively, Korpi and Palme (1998) point towards the importance of political alliances in protecting income replacement schemes from retrenchment. In this regard, social floors are especially vulnerable, as there are no clear organized interest group alliances protecting MIP provisions.

It is therefore interesting to ask how austerity might have affected minimum income schemes in particular. These schemes act as a crucial final safety net against poverty but in budgetary terms their cost is relatively limited. Countries typically only spend a small percentage of GDP on final safety net provisions. Outlays on social insurance, education and health generally dwarf outlays on social assistance. Moreover, the institutions making up the infamous Troika, particularly the IMF, strongly favour ‘cost-efficient’ means-tested benefits, over more expensive social insurance, let alone universal provisions. It is not unthinkable that even in a context of austerity, and especially in countries under Troika pressure, social assistance was strengthened, possibly at the cost of spending on other social items, or elsewhere. A 2012 IMF Country Report on Greece did not mince words (International Monetary Fund, 2012, pp. 19-20):

“Left unreformed, social benefit settings could also contribute to high reservation wages, frustrating efforts to move workers out of unemployment spells. In this context, the authorities are to identify 1–2 percent of GDP in additional savings, with the focus on discontinuing non-essential programs and improving the targeting of core programs. The largest potential savings would be possible through replacing most existing programs with a single, income-tested minimum income scheme targeted at the bottom 20 percent of the income distribution (with presumptive income also used to control for evasion)”

However, while strongly targeted means-tested social safety nets make up a relatively small portion of government spending and play a key role as a protection against extreme poverty, there is a political science literature line arguing that such programs are particularly vulnerable to governments under cost cutting pressures because they generally cater to particular, fragmented sections of the electorate, far removed from the all-powerful median
voter (Korpi, 1980; Korpi & Palme, 1998). Programs most in danger of retrenchment are those where interests are least organized or articulated, as opposed to say social insurance programs with stable constituencies represented by powerful stakeholders, for example trade unions. By contrast, the populations living on social assistance tend to be fluid and geographically fragmented.

Finally, in a context of a prolonged collapse in labour demand, governments may become more strongly concerned about additional inflows into the system which not only bring additional pressures on tight budgets, but also the risk of chronic dependency and scarring further down the line.

5.3 Data and analytical framework

5.3.1 Data

In this paper we track changes to MIP in the aftermath of the crisis. We take a broad approach to MIP: we look at the combination of benefits that guarantee the absolute social floor in each country in order to compare functionally equivalent income protection benefit packages. Minimum income benefits are beyond doubt the most important component, but a substantial number of countries complement minimum income benefits with cost-compensating benefits, such as housing or heating allowances and child benefits.

To this end, this paper builds on the CSB-MIPI dataset, an expert-sourced dataset that covers in detail the institutional arrangements relating to different MIP schemes. The present paper focuses on the MIP arrangements catering for able bodied unemployed falling outside the scope of the insurance scheme. Information is available for 23 EU countries, since 2001. The data set includes annual time series on gross benefits as well as detailed model family simulations that grasp the interplay of various schemes and measures in providing a minimum income package to various types of households. It furthermore includes information on activity requirements for minimum income recipients. Most importantly for our present purposes, the 2010 and 2012 waves inquired after policy changes impacting on the minimum income benefit packages that were implemented since the onset of the crisis, gathering

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31 EU27 excluding Cyprus and Malta. No information available for Denmark. In Greece, no minimum income scheme for the able bodied of working age currently exists.

32 More in particular, standard simulations cover the income situation of a single, a couple, a couple or a lone parent with two children aged 7 and 4, and a lone parent with a young child.
information on the crisis measures taken in the period 2008-January 2012. The data is provided by national experts on the basis of detailed questionnaires and instructions. Many have participated in earlier studies on social benefit packages (Bradshaw & Finch, 2002; Eardley et al., 1996b), or currently participate in EUROMOD. More information on the methodology and content of CSB-MIPI, as well as a list of the national experts contributing to this data set, can be found in Van Mechelen et al. (2011).

By first defining the group at risk (here the working-aged able-bodied who fall outside the social insurance scheme and are without a job), equivalent schemes are compared across countries, instead of schemes that merely have a similar name. In most European countries this target group is catered for by the general final safety net, i.e. the minimum income scheme that provides support to all those who have passed the means test. In the United Kingdom, Ireland, Germany, Finland and Hungary however, this target group receives support from a categorical income support scheme (see Bahle et al., 2011). In Austria (until September 2010), Italy and Spain, the minimum income scheme is a subnational responsibility, whereas in Sweden municipalities have a large degree of autonomy. CSB-MIPI contains information for respectively the localities Vienna, Milan, Catalonia and Stockholm.

CSB-MIPI includes policy changes that impacted on the net disposable income of minimum income recipients, i.e. it includes changes in additional support if minimum income beneficiaries are entitled, even when this additional support is provided through a different scheme, as well as conditions tied to minimum income receipt implemented in the period 2008-2012. Ideally, we would focus on those measures taken in response to the crisis (see Marchal et al., 2014). However, as the period under consideration is quite large, the distinction between measures that are driven by the crisis, are adjustments to a changed socio-economic context or would have been enacted anyhow, becomes more and more blurred. Therefore, this paper provides an overview of changes enacted since the onset of the crisis that were relevant for households relying on minimum income benefits. The focus is on policy changes that require actual intervention. For instance, regular uprating of the benefit based on an indexation mechanism is not included in the overview. In order to provide an overview as complete as possible, measures provided by the CSB MIPI respondents were cross-checked with the OECD Benefits and Wages series (OECD, 2011a), the ILO/World Bank Inventory of policy responses to the global financial and economic crisis of 2008 (ILO/World Bank, 2012) and MISSOC (MISSOC, 2013). Where possible, we indicate in the main text where measures are especially unlikely to have been related to the crisis context, as per assessment of the
respondent or evidence of a clear preparation before the onset of the crisis (and implemented without further modification or reference to the crisis) in secondary sources. This distinction is however more robust for the first crisis years.

An important consideration is that various authors have forcefully argued that retrenchment measures are more likely to occur through less visible administrative or technical adaptations, or even through non-intervention, in order to raise less resistance (Pierson, 1996). In the context of MIP this may occur through non-interventions such as skipping indexation, or small, technical changes such as tinkering with eligibility parameters.

Our time series of gross minimum income benefits allow gauging nominal increases or standstills. We also compare trends in gross benefits to more substantively relevant denominators like prices and average wages. These, however, are influenced by other factors than policy alone.

Changing access and behavioural conditions generally require explicit legal changes, although these are often of a rather technical nature. The data employed in this paper allow in principle to capture such changes. Also in this field, creeping retrenchment is possible by not adjusting nominal eligibility thresholds. This kind of retrenchment is harder to gauge, and the data employed in this paper may fail to fully take account of this. When there is a link between the benefit levels on the one hand, and the eligibility thresholds on the other, creeping retrenchment in benefit levels may also point towards a tightening of access.

5.3.2 Analytical framework: assessing changes

We structure our assessment in line with the framework we adopted in Marchal et al. (2014). Following Yerkes and van der Veen (2011), we assess changes in the field of MIP from a social citizenship perspective. This perspective allows for a rather nuanced assessment of different dimensions of MIP that are relevant for its beneficiaries.

Social citizenship is constituted by social rights and obligations (Kvist, 2007; Marshall, 1950). According to Kvist (2007), social rights are manifested through different configurations of benefit characteristics, i.e. generosity of benefits and eligibility criteria. The generosity of benefits refers to the legally guaranteed benefit levels, whereas the eligibility criteria define the pool of persons who may access the benefit. Obvious examples of eligibility criteria are nationality and residence requirements and means-tests. However, the shift of social policy measures towards activation has by now been extensively documented.
(Aurich, 2011; Eichhorst & Konle-Seidl, 2008; Immervoll, 2012a; Kenworthy, 2010; Marchal & Van Mechelen, 2014). Obligations or behavioural requirements of beneficiaries to ensure continued benefit receipt have been strengthened and made more explicit and should therefore be taken into account when assessing changes in social citizenship.

Table 10 shows our operationalization of each of these dimensions. Two important caveats apply. First, we do not include the value of in-kind benefits and (free) services to which minimum income recipients may have access. Quantifying such measures is fraught with difficulties. First, provision is often only guaranteed at the local level, leading to large intra-national differences in presence and level. Second, their face value depends heavily on actual use that is determined by the specific characteristics of each beneficiary unit. Third, some of these measures are only discretionarily awarded, therefore not matching with a rights-based perspective.

Second, a problem that is especially relevant for assessing the conditionality of benefits is how to treat possible (and probable) discrepancies between implementation and regulation (Clasen and Clegg 2007). Here, the focus is on statutory rights and obligations.

Table 10. Operationalization of the dimensions of social citizenship

<table>
<thead>
<tr>
<th>Rights</th>
<th>Accessibility</th>
<th>Obligations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generosity</td>
<td>Accessibility</td>
<td>Conditions for benefit receipt</td>
</tr>
<tr>
<td>Trends in gross and net benefit levels (nominal, real, % average wage)</td>
<td>Description of policy measures impacting on access/eligibility conditions (including time limits) to minimum income benefits and other income components</td>
<td>Description of policy measures impacting on the conditions for benefit receipt</td>
</tr>
<tr>
<td>- Crisis has also impacted on the denominators</td>
<td>Description of policy measures impacting on access/eligibility conditions (including time limits) to minimum income benefits and other income components</td>
<td>Description of policy measures impacting on the conditions for benefit receipt</td>
</tr>
<tr>
<td>- Comparison with previous trends in benefits allows to assess hidden retrenchment</td>
<td>Description of policy measures impacting on access/eligibility conditions (including time limits) to minimum income benefits and other income components</td>
<td>Description of policy measures impacting on the conditions for benefit receipt</td>
</tr>
<tr>
<td>Description of first round crisis measures impacting on other income components</td>
<td>Description of policy measures impacting on access/eligibility conditions (including time limits) to minimum income benefits and other income components</td>
<td>Description of policy measures impacting on the conditions for benefit receipt</td>
</tr>
</tbody>
</table>

In this paper, we monitor legislative changes to any of these dimensions in order to assess how minimum income floors have shifted during the “age of austerity”. In addition, we assess the combined impact of these legislative changes on the net disposable income for the aforementioned family types. This allows assessing the effects of the interplay of changes in
generosity and access (at least to the extent the underlying assumptions of the simulations allow for detecting changes in eligibility criteria).

In line with other crisis literature, we assess whether these changes are merely parametric changes to minimum income provision, or whether they point towards a structural change. Are the institutional characteristics of MIP changed in such a way that its impact will likely be felt for years to come, on multiple dimensions and changing the underlying logic of the scheme, or do we mainly see tinkering at the margins?

5.4 Changing minimum income protection schemes

5.4.1 Crisis measures affecting minimum income recipients

This section aims to provide an overview, as complete as possible, of the different measures that impacted on the situation of social assistance beneficiaries. We identify measures or changes as relevant, as they impact on one or more of the dimensions of social citizenship (generosity, access and behavioural conditionality) guaranteed to minimum income beneficiaries.

5.4.1.1 Benefit generosity

Gross minimum income benefit levels

In the pre-crisis period, nominal gross benefits generally increased, as most countries (either or not automatically) adjust gross benefits levels for price rises at regular intervals (Van Mechelen & Marchal, 2013). There are only a few exceptions (Ireland, Bulgaria, Estonia, Lithuania, Latvia and the Slovak Republic). However, in most of these countries, governments did in fact issue periodic increases in the years before the crisis. Significant nominal decreases of gross benefit rates were rare and occurred only in the Czech and the Slovak Republic. Both were part of far-reaching reforms of the social safety net.

During the first crisis year(s), nominal growth rates did not slow down (see Figure 21). In 2008-2009 (coinciding with the brunt of fiscal stimulus programmes) benefit levels in fact increased, in over half of the countries of our sample exceeding the average increases during the pre-crisis period.

Growth rates decelerated and even halted later on in the crisis. This is especially the case in those countries without indexation mechanism. However, a substantial number of countries
also skipped indexation (see Table 12). In some cases, this was a consequence of low inflation, especially in Sweden and Finland. In the latter country skipping indexation in 2010 actually meant a real increase of benefit levels. Moreover, Finland subsequently implemented a substantial raise in minimum income benefits. In Germany, low inflation triggered in 2010 a ‘Schutzklausel’ that protects certain benefits from a nominal decrease when inflation is negative. Yet in other countries skipping indexation should be understood as an austerity measure. This was the case in Romania, Slovenia, the Slovak Republic, Portugal and Spain. Moreover, in a number of countries indexation mechanisms changed, leading to a (presumably) less generous indexation, for instance in Germany and the United Kingdom in 2011. An exceptional development occurred in Ireland, where minimum income benefits were actually cut by around 4 per cent. Also in Portugal, the gross benefit for a couple decreased, as part of a far-reaching reform of the minimum income scheme. In Italy (Milan) minimum income benefits depend on the available budget and on social workers’ assessment of the situation. As the crisis gained foothold, the (estimated) actually awarded benefit amounts decreased. Finally, Hungary cut base rates by 20%. It should be noted that similar nominal decreases were rather exceptional in the years before the crisis.

Figure 21. Average trends in gross benefit for a couple, EU27

Note: excl. BG, HU, CY, MT. No MIP in EL.

Source: CSB-MIPI Version 3/2013 (Van Mechelen et al., 2011), gross average wages from OECD OECD (2015b)
Many of the nominal increases observed in the first crisis years translate in substantial real hikes in most countries. This is partially due to the lagged reaction of indexation mechanisms to in some cases quite substantial pre-crisis increases in consumer prices. Yet these automatic increases were further reinforced by additional increases of gross benefits in a substantial number of countries (see Table 11). Later on, the deceleration in nominal growth or the outright skipping of indexation led in some countries to a small loss in purchasing power. However, bar a few exceptions (most importantly Ireland and Portugal), this decrease does not appear exceptional when compared to pre-crisis trends.

Also relative to average wages, there are no indications for an erosion of benefit levels during the first crisis years, rather the reverse is true. Whereas benefit levels eroded relative to average wages in more than half of the countries in our sample in the years before the crisis, a further erosion of benefits remained very limited in 2008-2009. In line with the deceleration of nominal growth levels, relative benefits did decrease in the majority of countries after 2009, but this erosion remained mostly in line with pre-crisis annual changes.

All in all, trends in gross social assistance benefit levels prior and during the crisis provide no indications for a retrenchment round immediately after the crisis. Later developments are mainly back in line with pre-crisis trends, with the exception of countries like Portugal and Ireland where gross benefits for a couple have quite substantially decreased.

**Supplementary allowances and child benefits**

Minimum income recipients often receive on top of their social assistance benefit child cash benefits and supplementary allowances such as housing or heating allowances, one-off emergency payments etc. To the extent that these additional benefits are not included in the means-test, measures impacting on these income components do affect the generosity of the minimum income package, in a few cases even quite substantially.

In Marchal et al. (2014) we showed that quite a few countries raised the net income of minimum income protection beneficiaries through (a combination of) these additional income components. Some examples include increases of the child benefits or the child-related element in minimum income benefits and crisis-specific supplements in the first years of the crisis (see Table 11).
Table 11. Countries introducing measures with a positive effect on dimensions of social citizenship

<table>
<thead>
<tr>
<th>Year</th>
<th>GENEROSITY</th>
<th>ACCESS*</th>
<th>CONDITIONALITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Minimum income benefit</td>
<td>Additional allowances</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>IE LT</td>
<td>AT&lt;sup&gt;cb&lt;/sup&gt; BE&lt;sup&gt;cb&lt;/sup&gt; LT&lt;sup&gt;cb&lt;/sup&gt; PT&lt;sup&gt;cb&lt;/sup&gt; UK&lt;sup&gt;cb&lt;/sup&gt; RO&lt;sup&gt;cb,heat&lt;/sup&gt;</td>
<td>BE&lt;sup&gt;cb&lt;/sup&gt; LT</td>
</tr>
<tr>
<td></td>
<td>BE BG DE HU&lt;sup&gt;a&lt;/sup&gt; IE LV NO RO US</td>
<td>AT&lt;sup&gt;ctc&lt;/sup&gt; BE&lt;sup&gt;cb&lt;/sup&gt; DE&lt;sup&gt;oth&lt;/sup&gt; FI&lt;sup&gt;oth&lt;/sup&gt; FR&lt;sup&gt;oth&lt;/sup&gt; HU&lt;sup&gt;oth&lt;/sup&gt; IT&lt;sup&gt;oth&lt;/sup&gt; PT&lt;sup&gt;cb&lt;/sup&gt; SI&lt;sup&gt;oth&lt;/sup&gt; UK&lt;sup&gt;cb&lt;/sup&gt;</td>
<td>BG LV&lt;sup&gt;mip,ha&lt;/sup&gt; BE&lt;sup&gt;cb&lt;/sup&gt; FR&lt;sup&gt;R&lt;/sup&gt; SI&lt;sup&gt;ha&lt;/sup&gt;</td>
</tr>
<tr>
<td>2010</td>
<td>AT&lt;sup&gt;R&lt;/sup&gt; LV&lt;sup&gt;cap&lt;/sup&gt; FI&lt;sup&gt;a&lt;/sup&gt;</td>
<td>AT&lt;sup&gt;cc&lt;/sup&gt; FI&lt;sup&gt;oth&lt;/sup&gt; UK&lt;sup&gt;cb&lt;/sup&gt; BG&lt;sup&gt;heat&lt;/sup&gt;</td>
<td>FI&lt;sup&gt;mip,act&lt;/sup&gt; FR AT&lt;sup&gt;R&lt;/sup&gt;</td>
</tr>
<tr>
<td>2011</td>
<td>BE DE EE SE</td>
<td>CZ&lt;sup&gt;ha&lt;/sup&gt; FI&lt;sup&gt;cb&lt;/sup&gt; UK&lt;sup&gt;cb&lt;/sup&gt; BG&lt;sup&gt;heat&lt;/sup&gt;</td>
<td>BG</td>
</tr>
<tr>
<td>Start 2012</td>
<td>CZ DE FI LT&lt;sup&gt;R&lt;/sup&gt; PL SI&lt;sup&gt;R&lt;/sup&gt;</td>
<td>CZ&lt;sup&gt;ha&lt;/sup&gt; FI&lt;sup&gt;oth&lt;/sup&gt; BG&lt;sup&gt;heat&lt;/sup&gt;</td>
<td>LT&lt;sup&gt;R&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

Note: cb: Child related measure, heat: heating allowance, ha: housing allowance, oth: other, R: reform of minimum income scheme, mip: minimum income protection, cap: benefit cap, ix: indexation. Changes in heating allowance are indicated in grey. Often, these benefits depend on type of heating, and will be provided in kind. *Only mentioned where respondent notes actual change. However, sometimes parameters for access may be tied to gross benefits. DK, LU: n.a.

Source: CSB MIPI Version 3/2013 (Van Mechelen et al., 2011)
Table 12. Countries introducing measures with a negative effect on dimensions of social citizenship

<table>
<thead>
<tr>
<th>GENEROSITY</th>
<th>ACCESS*</th>
<th>CONDITIONALITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum income benefit</td>
<td>Additional allowances</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>CZ PL*</td>
<td>EE* LV* BG* heat</td>
</tr>
<tr>
<td>2010</td>
<td>IE IT PT* RO* SI* SK*</td>
<td>IE* PT*</td>
</tr>
<tr>
<td>2011</td>
<td>DE* ES cap IE PT* RO* SE* SK* UK*</td>
<td>AT* IE* UK* heat</td>
</tr>
<tr>
<td>Start 2012</td>
<td>ES* HU IT LT* PT* RO* SI* SK* NL</td>
<td>CZ* IE* IT ha SI* UK* ha,cb</td>
</tr>
</tbody>
</table>

Note: see note to table 11. ** Changes to the income threshold/means test for the particular benefit mentioned. Actual impact on minimum income recipients depends on specific situation and interaction with means test for minimum income protection. DK, LU: n.a.

Source: CSB MIPI Version 3/2013 (Van Mechelen et al., 2011)
Additional positive measures become rare as the crisis continues. Reinforcements of the minimum income scheme or child benefits are often no longer (presented as) related to the crisis, but part of reforms prepared before the onset of the crisis (such as in Austria); increases following a more prudent policy in the crisis years (Finland, Estonia) or combined with more negative measures, leading to rather mixed effects. For instance, the Slovenian as well as the Lithuanian social assistance reforms have got varying effects on different family types, due to changes in equivalence rates. Likewise, the increase in the Austrian child care benefit was coupled to tougher access conditions. Similarly, in the UK a continued uprating of the child element of the child tax credit was combined with decreases in other elements of this tax credit.

The prevalence of measures that have a (potentially) negative effect on minimum income recipients follows the inverse pattern: whereas negative measures are relatively rare in the first crisis years, they become more and more common as the crisis continues. This is most straightforwardly seen in the change from additional increases of gross minimum income protection benefits in 2009 to the skipping of indexation in a number of countries from 2010 onwards. Also changes in additional allowances indicate that countries implement more measures with a negative impact on minimum income recipients as the crisis advances. In the first crisis years, the only countries negatively impacting on certain income components are Estonia and Latvia. Yet, in 2010, both Ireland and Portugal decrease child related benefits. In Ireland, the 10% cut is partially compensated for low income groups. This is however no longer the case when the child benefit is again targeted by cuts in 2011 and 2012. Also in Austria and the UK, child related payments are reduced. In Hungary, the gas and heating allowance is abolished. One year after it limited access to the social allowance to families with a handicapped child, the Czech Republic completely abolished this benefit in 2012. In both Italy (Milan) and the UK the housing allowance scheme became less generous. In the UK, tax credits once again decreased. In Slovenia, it was decided that the indexation of all benefits bar social assistance, would be halted for one and a half year. Moreover, reforms of the minimum income scheme implemented in the later crisis years often have mixed effects. Box 1 shortly describes the main points of the various reforms implemented since the onset of the crisis (up until 2012).
Box 1: Reforms implemented since the onset of the crisis (up to start 2012)

**Hungary (2009)**

The 2009 Hungarian reform (adopted by the parliament on December 15th 2008) aimed to help long-term unemployed re-enter the labour market (Frey 2011). Therefore, it distinguished between two groups of minimum income beneficiaries, the frail and those able to work. A new benefit was installed for the group deemed able to work, the ‘stand by allowance’. The other group remained eligible for regular social assistance. The new stand by allowance is an individual benefit for each eligible adult, regardless of family composition. The individual benefits were higher, whereas work and activity conditions were severely tightened. Moreover, if no jobs are available, (remunerated) community work is offered. The stand by allowance is only payable if no community work can be provided. Since its introduction in 2009, this new scheme was changed on multiple occasions. For instance, from 2010 onwards, only one adult per household was eligible for the stand by allowance. Later, the name of the social assistance benefit changed to ‘wage subsidizing benefit’ and again to ‘employment substitute support’, combined with new activity requirements. In January 2012, the standard rate of the benefit was reduced by 20%.

**France (2009)**

The introduction of the Revenue de Solidarité Active (replacing the former Revenu Minimum d’Insertion and the Allocation de Parent Isolé) aimed to increase work incentives, and to make sure that taking up employment would be financially rewarded. An important element in this respect was the introduction of an earnings disregard of 62% in the calculation of the new minimum income benefit. In addition, the reform introduced more activation efforts.

**Portugal (2010/2011)**

The Portuguese reform aimed for a more efficient and effective minimum income scheme (but see Rodrigues 2012). Meanwhile, a number of elements of the reform can be identified as austerity measures necessitated by the crisis context. The main measures include an extension of the income and household concept used for the means test and new (and less generous) equivalence rates. In addition, the complementary support awarded for specific needs was abolished. The conditionality of the minimum income benefit was tightened. Harsher sanctions were introduced, as well as a number of anti-fraud measures (for instance, a false claim excludes one from any means tested benefit for a 2 – year period).
Austria (2010)

The Austrian reform aimed to reduce the differences between the different regional minimum income schemes. An explicit aim was that no beneficiary would lose because of this harmonization. Viennese recipients saw their net income package in fact substantially increase. Main preoccupation was a harmonization of minimum rates and of access conditions. In addition, the reform aimed to facilitate the activation of minimum income beneficiaries by increasing access to public employment services for minimum income recipients.

Netherlands (2012)

The Dutch reform of the minimum income scheme aimed to increase the conditions tied to benefit receipt. Main justifications of the reform were increasing deficits because of the economic crisis, and the perceived need to increase work incentives (Rijksoverheid 2011). The increased conditionality targeted different groups, most importantly lone parents, young jobseekers and artists. In addition, municipalities became entitled to ask for services in return for benefit receipt, even if this did not directly improve prospects for finding employment. The reform also widened the household concept for the means test, yet this measure was revoked a few months later.

Lithuania (2012)

The 2012 changes to the Lithuanian minimum income scheme aimed to make social assistance more effective and just. In addition, work incentives were strengthened. The main changes were to facilitate access to the minimum income scheme, by abolishing the requirement to be a registered unemployed for 6 months prior to being eligible for social assistance. Equivalence scales were adapted, with higher benefit levels for the first member of the family, and lower for the remaining family members. Benefit levels are gradually reduced for long term beneficiaries. For beneficiaries without children, the benefit can be suspended after 60 months. Former beneficiaries who take up low paid employment can continue to receive part of their benefit as a back to work bonus.

Romania (2012)

Romania introduced a new law on social assistance in 2011 that changed the calculation of minimum income benefits. The benefit levels are from 2012 onwards based on a national reference indicator. Although this will probably result in lower benefits in the longer run, the immediate impact is relatively limited. The aim of the reform is to better target social benefits,
and to rationalize (decrease) social expenses. The new law was only partially justified on grounds of the financial crisis.

Slovenia (2012)

The Slovenian reform was already legislated in summer 2010, but due to the crisis actual implementation was delayed until 2012. The changes addressed both the work incentives in the minimum income scheme, as the streamlining of the awarding of means tested benefits. One of the consequences was a tighter means test (for instance, child benefits are included in the means test, a change that is not completely compensated by the 10% increase in children’s base rates within the minimum income benefit). Also, the definition of a lone parent family was tightened. The reform introduced new equivalence rates that take account of the work effort of beneficiaries. Moreover, the 2010 legislation foresaw a higher standard rate, but due to the crisis, the envisaged increase was only partially implemented.

Source: CSB MIPI Version 3/2013 (Van Mechelen et al., 2011)

5.4.1.2 Access to benefits

Whereas the generosity of benefits initially increased, Table 11 shows that rules determining access to minimum income schemes and related benefits remained relatively unchanged during the first crisis years.

From 2010 onwards, only Finland and Lithuania introduce measures that are (to some extent) crisis related and that increase access to minimum income or related benefits. In France, the group of persons eligible for minimum income benefits is extended to persons younger than 25 (yet depending on a prior work history) for equity reasons, whereas the Austrian reform renders access criteria more comparable across the Länder. Bulgaria abolishes its time limit within the minimum income scheme in order to bring its legislation in line with the European social charter. In contrast, quite some countries start to reduce access to benefits from 2010 onwards, and often this decision was driven by financial considerations. Examples include the social allowance of the Czech Republic that was from 2011 onwards only awarded to families with a handicapped child, the 2010 Portuguese reform that tightened the means test for minimum income protection and the introduction of a 5 year life time limit for social assistance in Spain (Catalonia) in 2012. In addition, one should have lived in Catalonia for 2 years, before being eligible.

All in all, access criteria are more often negatively adjusted than the other way round, especially if we focus on crisis measures. This (as well as the changes in gross benefits that
skip indexation or adapt indexation mechanisms and equivalence scales) seems to be in line with the literature on retrenchment, that predicts that unpopular measures will generally be hidden behind rather technical measures, or distinguish between various small groups.

5.4.1.3 Obligations: behavioural conditionality

In Marchal et al. (2014) we noted the striking absence of crisis related changes regarding the activity requirements imposed on minimum income protection beneficiaries in the first crisis years. Also later on, changes to activity requirements were generally not framed as crisis measures. Some exceptions include the reforms in Portugal and the Netherlands that increased conditionality (see box 1) and were (partly) driven by budgetary concerns.

Yet this is not to say that the conditionality of minimum income benefits did not change in the period 2008-2012 (see Table 11 and Table 12). However, changes were generally implementations of measures prepared before the onset of the crisis, part of broader policy changes or reforms, or not framed as crisis measures. In Marchal et al. (2014), we describe the change that occurred in France, the Netherlands, the United Kingdom, Hungary and the Czech Republic in 2008 and 2009. Later on – and quite exceptionally –, sanctions for German beneficiaries for minor infringements (such as missing an appointment) were somewhat relaxed. Information on whether or not this was influenced by the crisis is lacking. The United Kingdom continued to roll out a previously decided on measure to gradually move lone parents from income support towards the jobseekers allowance, where they may be faced with tougher activity requirements. Other measures that were implemented, but of which respondents doubt any influence by the crisis are a small increase in the severity of activation related sanctions in Austria, an increased work requirement and sanctions for mistakes in reporting in Bulgaria, harsher requirements in Finland, increased work requirements in Hungary, more checks of willingness to work in Romania and a tighter suitable employment definition in Slovenia. Also in Slovenia, the 2012 reform introduced activation allowances to minimum income recipients in part time jobs. Generally, these changes were introduced by referring to the need for activation, and in some cases by a commitment to reducing social fraud.

33 Both the Slovenian and the Czech activation related changes to minimum income benefits were already included under changes in minimum income benefits.
5.4.2 Mixed effects on net income packages

Figure 22 shows the trends in the simulated net disposable income packages of four hypothetical families from mid2009 to January 2012. This period does not entirely coincide with the changes described above, nor can standard simulations capture the impact in changes to activity requirements or access conditions. However, as some measures have mixed effects on different types of families, or on different income components, these simulations do provide a more nuanced understanding of trends in overall income packages. In addition, they take account of the diverse impact of the different measures on the final net disposable income.

By far the largest overall nominal decreases are observed in Hungary, Italy, Portugal, Ireland, and, to a more limited extent, in Romania and Lithuania. This mainly reflects the changes these countries introduced to their minimum income schemes. Hungary decreased base rates by around 20% in 2012, after tightening access for additional adults in a family two years earlier. Portugal reformed its minimum income scheme in August 2010, introducing different equivalence rates. In addition, indexation was skipped. In Ireland, we observe the combined impact of subsequent cuts to minimum income benefits and child benefits. The stark decrease of benefits for Italy reflects the aforementioned decreases in both the actually awarded benefits in Milan and the tightened generosity of the regional housing allowance scheme. The decrease of net income packages in Romania is caused by the combination of various retrenchment measures that tightened access to the minimum income benefit and skipped indexation, rather than by the reform described in Box 1.

In Bulgaria, a nominal standstill since January 2009 resulted in rather substantial real decreases of net income packages. In a large number of countries we observe a limited real decrease of the net income package in this two and a half year period. These minor real losses seem to be related to the skipping of indexation, the inadequacy of the indexation mechanism or both.

On the other hand, we see rather stark improvements in Finland, Austria and Estonia. This is mainly due to uprating gross benefit levels over and above inflation. In Finland this is the result of a conscious effort to reinforce the bottom of the welfare state. In Estonia, the increase occurred after a nominal standstill since the onset of the crisis, and from a low base.

34 A 35-year old able-bodied single minimum income recipient, no own income; couple without children, couple with two children, aged 7 and 14; lone parent with two children, aged 7 and 14.
The Austrian increase is mainly due to the 2010 reform that raised benefit levels for Viennese beneficiaries.

Figure 22. Trends in net disposable income of a household relying on minimum income benefits, average over 4 family types, June 2009 – January 2012

![Graph showing trends in net disposable income](image)

Note: CY, DK, ES, MT: n.a. No minimum income schemes in EL.


All in all, bar a number of important exceptions at either side of the spectrum, in the brunt of countries minimum income protection beneficiaries only experienced rather limited real decreases. This is partially because of the time frame, that does not include some of the expansionary measures introduced at the start of 2009 and only covers two and a half years, partly because some measures (e.g. changing indexation mechanisms in Germany and the United Kingdom, different calculation methods in Romania) will only reveal their full impact in the longer run, partly because changes were not quite that pronounced in a number of countries (at least not for these particular family types) and partly because the average obfuscates the impact of some policy changes on a limited number of family types.

Figure 23 illustrates the varying impact of some of these policy changes to families with and families without children. Especially in Hungary, families without children were most severely hit by the policy change that only one adult per family is entitled to social assistance for able bodied persons of working age. In addition, they also suffered from the 2012 decrease
of the minimum income benefit. For the other family types, this has been partially cushioned by protective clauses for children.

Figure 23. Real trends in net disposable income of a household relying on minimum income benefits, averages of family types with and without children, June 2009 – January 2012

![Graph showing trends in net disposable income](image)

*Note:* CY, DK, ES, MT: n.a. No minimum income schemes in EL.


For singles and couples with two children aged 7 and 14, we notice the harsh impact of the new equivalence rates in Lithuania, Slovenia and to a more limited extent also in Portugal. In all three countries, larger families experienced larger real decreases than childless singles or couples. In Romania, the inclusion of the means tested child benefit in the means test has important consequences, causing a real drop of over 20% in net disposable income for families with children, as opposed to a real decrease of 7% for couples without children. In Sweden on the other hand, benefit rates for children increased rather substantially in order to bring legislation in line with changes in the housing allowance scheme.

### 5.5 Discussion

How does this all add up? Figure 24 shows the number of countries implementing positive and/or negative measures in the period 2008-start2012. We see a shift from an emphasis on
positive measures in 2008 and 2009, to a focus on more negative measures in a substantial number of countries from 2010 onwards.

This pattern is more pronounced for some aspects of social citizenship than for others, and especially outspoken for changes to the standard rates of minimum income benefits (MIP in Figure 24). Whereas declines in standard rates are virtually absent in 2008 and 2009, nine countries issue increases in 2009. To some extent this is in countries where an adequate indexation mechanism is lacking, but also other countries chose to increase gross benefits over and above indexation. Later on, these additional increases become rare. In addition, from 2010 onwards, more and more countries take measures that have a negative impact on minimum income benefits.

Also additional allowances were increased in the first crisis years. Often, these were increases of child related benefits, or actual one-off crisis premiums. Again from 2010 onwards, additional increases become less common and (some) negative measures start to appear.

The pattern is somewhat different for access conditions. It seems that only rarely governments sought to pursue an expansionary policy by increasing the pool of possible beneficiaries of minimum income benefits or relevant additional allowances. Some countries did tighten access conditions to additional benefits or the minimum income protection scheme as part of an austerity strategy from 2009 and 2010 onwards. It is however not very clear what the impact is on the pool of eligible persons.

Finally, Figure 24 shows that changes to behavioural conditionality related to minimum income receipt do not follow this expansion-retrenchment pattern at all. This is mainly because crisis measures generally did not impact on conditionality. Governments did increase investments in activation programs, but the actual conditions tied to minimum income receipt were mainly left unchanged by crisis responses. Measures that were prepared before the onset of the crisis were however implemented. In line with trends prior to the crisis (Weishaupt, 2013), these measures generally tightened conditionality.
Interestingly, most of the *negative* changes introduced in the period 2008-start 2012 are technical in nature. This is most clearly seen in the changes to MIP standard rates from 2010 onwards. Whereas the positive changes in 2009 were increases of standard rates, actual nominal decreases are very rare. Rather, governments introduced measures such as the skipping of indexation for inflation, changing the indexation mechanism or the introduction of a benefit cap. When nominal benefit rates did decrease, this was generally in the context of broad reforms that introduced new equivalence rates with different consequences for particular family types. In this regard, it is also noteworthy that the rather technical and invisible access conditions were often not loosened in the first crisis, yet they were tightened in a number of countries from 2009 onwards.

*Source: CSB MIPI Version 3/2013* (Van Mechelen et al., 2011)
Our findings contribute to a number of additional issues raised in the literature. For one, it is clear that the small increases observed right after the onset of the crisis did not translate in higher minimum income protection packages. In fact, the austerity tide – although perhaps less severely than feared – has impacted on minimum income schemes in quite a number of countries. In order to shed light on theoretical questions whether minimum income schemes are more vulnerable to these retrenchment measures than contributory-based income replacement schemes (Korpi & Palme, 1998; Nelson, 2007b; Pierson, 1994), a more complete comparison to changes in unemployment insurance schemes would be needed.

Second, Figure 22 and Figure 23 show a wide variation in the size (and direction) of changes to the generosity of social floors. Whereas a study of the determinants of the direction of crisis-induced change is outside the scope of this article, a cursory reading of Figure 22 does seem to corroborate findings by Shahidi (2015) and Armingeon (2012) on the primacy of fiscal considerations over and above ‘traditional’ explanations, such as the left-right inclination of the government and institutional factors. We do indeed observe the largest decreases in countries where the crisis has hit hard, most importantly Ireland, Portugal, Hungary and Italy. Yet there are some exceptions, and in future research we aim to look further into the combination of factors explaining variation in crisis and austerity reactions in the field of minimum income protection.

Third, a number of authors have raised the question whether crisis-induced change opens up a window of opportunity to change the course of path-trapped social security schemes (Castles, 2010; Starke et al., 2013). Our focus on minimum income schemes, that are relatively easy to alter, does not allow us to derive stark conclusions regarding this conjecture. Nonetheless, most measures that affected social citizenship taken after the onset of the crisis were rather incremental. Potentially some of the austerity measures implemented from 2010 onwards will in the longer run substantially impact on the final safety net. For instance, changing indexation parameters will likely result in less generous benefits (Joyce & Levell, 2011). Some countries did introduce measures coined by respondents or national sources as reforms. A rather common characteristic of these reforms is their focus on increasing conditionality and financial work incentives. This focus does not seem out of line with the pre-crisis trend towards increased conditionality and activation efforts (Eichhorst & Konle-Seidl, 2008; Weishaupt, 2013). Yet other reform measures, especially changing equivalence scales and tightened access criteria, generally introduce rather profound changes with regard to the other
social citizenship dimensions presented above. It remains however difficult to assess whether these changes were triggered by the crisis or not.

5.6 Conclusion and policy implications

Social safety net provisions in Europe had generally suffered two decades of relative neglect and erosion prior to the crisis, legitimized by the idea that work and not welfare was the best protection against poverty. The result was that minimum income protection levels were at levels considerably below widely used adequacy benchmarks, including the EU’s own 60 per cent of national median equivalent disposable income threshold.

The crisis smashed the notion that people capable for work ought to be able to make a decent living if they are doing enough to find and accept work. The initial phase of the crisis did indeed trigger some changes for the better - expansionary and supportive measures were the general pattern. But as this paper shows, these changes proved short-lived. Retrenchment measures become evident later on in a substantial number of countries. Whereas the expansionary measures observed in the first crisis years generally centred on increases in benefits, retrenchment measures were more often enacted through more technical changes. Examples include: skipping indexation, tightening the means-test, abolishment or decrease of additional benefits (for instance child benefits). Few countries actually cut minimum income benefits. Moreover, with the exception of Hungary and Ireland, cuts were mainly part of a more encompassing reform that changed base rates as well as equivalence rates. This is broadly in line with the retrenchment literature where it is argued that retrenchment is often pursued through less visible, apparently technical changes.

The long-term impact of these technical changes is hard to predict. For now, time series and standard simulations of changes in net disposable income packages show relatively modest impacts in the period 2009-2012. Yet some of the technical changes may carry the seeds for an incremental path departing process, such as new, less generous indexation mechanisms or different equivalence scales. These changes may have far reaching implications in the longer run, although their immediate impact is rather modest, not in the least because they may impact on the notion of what a social floor should actually entail. Nonetheless, in some countries, such as Hungary, Italy, Portugal and Romania, the combined effect of various retrenchment measures already now weighs heavily on minimum income beneficiaries.
An important common denominator of the reforms enacted in the wake of the crisis was the attention to behavioural conditionality requirements. This focus reaffirms a policy trend apparent in the pre-crisis years, but in a largely different macro-economic context.

An open question for further research is how this focus on activation will impact on the situation of minimum income recipients in a context that starkly differs from the pre-crisis employment high.

This is all the more relevant as we possibly have not yet seen the end of retrenchment in social protection schemes in Europe. The UK government for example recently announced cuts to the Universal Credit - the main income protection scheme for able-bodied persons of working age, be it in or out of work. Budgetary concerns where a stated motive. Similarly, only a couple of months after the implementation of the Portuguese 2010/2011 reform, the Portuguese government implemented a further tightening of equivalence scales within the minimum income scheme. Other countries have announced changes to minimum income schemes. In this regard, the description of policy reforms provided in this article, may serve as a cautionary tale: the common denominator of most reforms were an increased focus on activity requirements, coupled to a focus on savings and stricter equivalence scales.

The obvious fact that minimum income schemes are considered a viable target for austerity measures by national governments is all the more disquieting as social floors within the EU were largely below the poverty threshold to begin with. This stands in stark contrast to the calls by both the European Commission (2008b) and the International Labour Organization to ensure adequate social floors (International Labour Organization, 2012). Whereas the continued focus on work incentives and activity requirements by the national governments could to some extent be considered in line with these organisations’ concern about well-functioning labour markets and unemployment, the inadequate benefit levels and restricted access conditions are not.
PART III: SHIFTING POLICY FOCUS: ACTIVATION AND MAKING WORK PAY
Chapter 6: Stemming the tide: What have EU countries done to support low-wage workers in an era of downward wage pressures?


Abstract

Governments across the EU have been striving to get more people into work while at the same time acknowledging that more needs to be done to ‘make work pay’. Yet this drive comes at a time when structural economic shifts are putting pressure on wages, especially of less skilled workers. This article focuses on trends in minimum wages, income taxes, and work-related benefits within a selection of 15 EU countries, for the period 2001-2012, with three US states included as reference cases. We find evidence for eroding relative minimum wages in various EU countries, yet combined with catch-up growth in the new Member States. We also find that governments counteracted eroding minimum wages through direct income support measures, especially for lone parents. Most prevalent among these were substantial declines in income tax liabilities.
6.1 Introduction

This article looks at government income policies vis-à-vis low-paid workers in Europe and the United States over the past 15 years. There are many reasons why this is a compelling subject for social policy scholars.

To start, the tide of late has not been favourable to less skilled workers in rich countries. With continuing deindustrialisation, automation and outsourcing, many less skilled workers have come to rely on service sector jobs which cannot be readily outsourced or automated, but where productivity and thus wage gains are also achieved less easily (Acemoglu & Autor, 2011; Atkinson, 2015). These trends are widely seen as potentially driving down low-skilled wages. In addition, there is increased competition for low-skilled jobs from (temporary) migrants in many countries (Eurofound, 2014). Whereas these changes impact on all rich countries, some of them may weigh more heavily within the common market of the European Union. Since the 2004 and 2007 enlargements, workers from the new member states (MSs) have gradually but altogether rapidly gained free access to the old EU countries, where wages and working conditions tend to be far better than in their home countries (Eurofound, 2014; Eurostat, 2015).

At the same time, and perhaps somewhat paradoxically, governments across Europe have been striving to get more people into the labour market, including those with the weakest work histories and skills profiles (Eichhorst & Konle-Seidl, 2008; Etherington & Ingold, 2012). Increasing the number of people in work was indeed at the core of the Lisbon Strategy and it remains central to the current Europe 2020 strategy (European Commission, 2010a; Kok, 2004). Persons facing multiple obstacles to ensure qualitative employment are explicitly included in this approach (European Commission, 2008a). The notion that ‘a job is the best protection against poverty’ became a central tenet of EU policy during the Lisbon era and thereafter.

Trying to boost employment rates, especially among those at working age dependent on benefits, governments encountered at least two (perceived) barriers. First, significant numbers of the non-employed faced limited financial incentives to take up low paid work, especially those primarily targeted for activation such as the unemployed and social assistance recipients (Immervoll, 2012b; OECD, 1994). Second, it has become clear that moving into employment does not always mean an escape from poverty, especially for people with dependent children. Concurrent with longer standing concerns about child poverty, in-work poverty has gained
prominence as a policy concern in Europe, especially as activation efforts intensified (Hanzl-Weiß & Vidovic, 2010).

The combination of these trends leads us to expect significant shifts in government policy vis-à-vis low paid workers. In this article we assess whether years of growing concern about downward pressure on wages, in-work poverty and ‘making work pay’ were actually reflected in policy changes. We focus on trends in minimum wages, tax relief measures, and benefits in a period of continued European integration and activation reforms. Our paper is distinctive in the sense that it aims to assess the combined impact of policy measures on the level of minimum income protection for workers, rather than focusing on single policy measures. Our research question is indeed to assess what governments have done, and which priorities and policy measures they favoured, rather than assessing the effectiveness or design of non-comparable policy instruments in a limited number of countries. We ask whether possible additional supportive measures were directed more to certain groups, and what shape income support took. In particular, we assess whether, in line with observations made on child benefits by Ferrarini et al. (2013), a fiscalization of minimum income protection for workers has occurred, in which responsibility for adequate incomes and income support shifts in important respects to the tax system. Our broad focus is advantageous in yet another respect: Both from an incentives- and an anti-poverty perspective, it has been demonstrated that coordination of policy measures is extremely important (Immervoll & Pearson, 2009; OECD, 2015a), as changes in particular anti-poverty or making-work-pay measures have repercussions on eligibility or generosity of other types of government support. In this paper, we look precisely at this total effect on the potential effectiveness of minimum income protection, and assess how different components contributed to it. We look at the measures that are in place to guarantee a minimum income for workers (and hence not necessarily to incentivize benefit recipients to make the transition to work). We assess whether we find similar patterns within a selection of 15 EU countries, for the period 2001-2012. Three US states are included as reference cases, as the US is a country where low pay and in-work poverty is rife but also where much has been done to support low-paid workers. More specifically, we ask how minimum wages have responded to the increasing pressures on low-wage workers, and whether EU countries took measures to stem the tide for working low income families. Moreover, do we find evidence for similar policy instruments, and were similar groups singled out for support?
6.2 Research questions

What should we look for in the data and what would we expect to see? This section reviews the literature and formulates some expectations. We start off by discussing the literature pertaining to minimum wages. We then move on to tax and benefit policies, their relative role and potential differentiation by household situation. Inevitably, because of the broad scope of the paper in terms of income components, countries and time period covered, the level of detail of that discussion for each aspect under focus will be limited. There is a more extensive literature on each of these aspects, but the added value of this paper is that we see how various trends interact and 'add up'.

6.2.1 What has happened to minimum wages?

It is argued that global trends, including increasing international competition and automation, put pressure on low wages (Acemoglu & Autor, 2011; Atkinson, 2015). Kristal and Cohen (2016) demonstrate that the deterioration of labour market institutions, such as strong trade unions and adequate minimum wages, failed to protect American workers from these trends. Yet it is in no means self-evident that labour market institutions should dwindle in the face of adverse pressures. For instance, governments could want to strengthen minimum wages in reaction to an increased demand for more protective measures by their electorate (Vaughan-Whitehead, 2010).

It is therefore important to monitor what happened to minimum wages, as they make up an important part of the minimum income protection arrangements that are in place for workers (Marx, Marchal, & Nolan, 2013). Moreover, they generally cater for the specific target group of low-skilled or young, starting workers, whose jobs may be especially likely to suffer from increasing global competition (Ryckx & Kampelmann, 2012).

More international competition became very real also in the single market for goods and services in the EU. Since its start, the EU pushed for a far driven economic integration. This ongoing process of economic integration of European labour markets has led many to expect increasing pressures on labour market institutions protecting workers, especially in countries where these are comparatively most extensive and generous (Kvist, 2004; Paetzold & Van Vliet, 2012; Scharpf, 2002; Van Vliet, Caminada, & Goudswaard, 2010). Indeed, in guaranteeing a free market of goods, services, capital and persons, the EU boosts competition between Member States that differ substantially on social as well as economic accounts. The European Court of Justice has often ruled in favour of this free market as opposed to
safeguarding more protectionist acquired rights (e.g. the Viking and Laval arrests, see Verschueren, 2015). But also fears (imaginary or not) that migrants from poorer MSs will move to richer MSs not solely for improving their labour market prospects, but also attracted by their social provisions are relevant in this regard (Cameron, 2013; Kvist, 2004).

It is then feared that governments might enter into an underbidding strategy (a ‘race to the bottom’), making their country relatively more attractive to investors and less attractive to migrating EU citizens. A counterargument to this expectation of downward pressures and convergence posits that precisely because of this increased insecurity, the local political demand for social protection will rise (Vaughan-Whitehead, 2010). Combined with the rising prosperity in the poorer EU Member States, a number of authors argue against this race to the bottom argument, and some even expect an upward convergence or convergence to the middle through catch-up growth (e.g. Paetzold & Van Vliet, 2012).

Up till now, such trends have mainly been researched for social benefits (Draxler & Van Vliet, 2010; Montanari, Nelson, & Palme, 2008; Schmitt & Starke, 2011) and employment protection legislation (Erhel & Zajdela, 2004; McBride & Williams, 2001; Skedinger, 2010), rather than for the specific case of minimum wages. Moreover, evidence from this literature remains rather inconclusive. This paper therefore contributes in assessing which minimum wage trends are more likely: a general erosion relative to living standards or even (in a genuine race to the bottom) in real terms, positive trends in formerly unprotective countries, or an overall increase in response to the increased insecurity for low wage workers?

### 6.2.2 Making work pay?

The adverse pressures on low wage workers did not sway society’s and policy maker’s stances on activation. Getting more people into paid employment became the tenet of EU-wide social policies. During the 1990s social policy at EU level and in many countries became increasingly strongly focused on increasing the number of people relying on earnings. Getting more people in work was a core objective of the Lisbon Agenda (2001-2010). At the same time, international organisations like the OECD were continuing if not intensifying long-standing calls for getting more people in work and off benefits, especially as economic conditions were favourable (OECD, 1997, 2003). National policy discourse in many countries also echoed the importance of employment growth (Aust & Arriba, 2005; Eichhorst, Kaufmann, Konle-Seidl, & Reinhard, 2008). Of course, the notion that the unemployed should look for work was not new. The main innovation of the general adoption of the
activation paradigm since the nineties was the extent to which this expectation was broadened to include ever larger target groups, including less productive workers (Bengtsson, 2014). Eichhorst & Konle-Seidl (2008) describe how activation measures were newly applied to social assistance recipients, a group formerly seen as too marginal and on a too large distance from the labour market. More noteworthy, also spouses in breadwinner couples or lone parents were specifically included (Annesley, 2007; Skevik, 2006). The example of the UK is telling in this regard, that transferred an ever larger group of jobless lone parents from income support to the jobseeker’s allowance in the course of the 2000s. In fact, Annesley (2007) considers this to be the main innovation of the Lisbon agenda. MSs are moving away from the male breadwinner model as the traditional underpinning of their welfare state policies (a basis that is especially apparent in the continental and Southern European states) (Bradshaw & Hatland, 2006), and moving forward to an adult worker model, where social policies will be oriented around the assumption that anyone who can will work (Annesley, 2007; Daly, 2011; Knijn, Martin, & Millar, 2007). This should not necessarily mean a withdrawal of the welfare state, but rather a reorganization of policies.

Indeed, one would expect this embracing of the activation paradigm to have prompted significant changes in tax and benefit policies, and this for the following reasons.

First, there were widespread and longstanding concerns about weak work incentives standing in the way of effective activation efforts. Politicians in many countries echoed popular concerns that "work does not always pay", especially for persons on benefits with limited earnings potential. Perhaps realizing that there were limits to handling this problem by cutting down on benefits or imposing tighter restrictions on prolonged benefit receipt on the one hand or by increasing minimum wages on the other (see preceding section), governments may have focused on making work more attractive by increasing take home pay through changes in tax and benefit systems. It is certainly the case that supranational entities like the OECD and the European Commission were stating that increased take-home pay was an indispensable element of an effective activation strategy (European Commission, 2008a; Immervoll, 2012b; OECD, 2009a; Weishaupt, 2011).

Second, in-work poverty started to come to the fore as public policy concern during the 2000s. Long considered an American phenomenon, the realization that in-work poverty was also a real issue throughout Europe came as figures and studies started to emerge on this topic from the late 1990s (Crettaz, 2013; Halleröd, Ekbrand, & Bengtsson, 2015; Marx & Verbist, 1998). Also, the Laeken indicators adopted by the EU in 2001 to monitor progress in the
social field in the EU contained breakdowns of poverty by employment status, bringing this issue firmly and structurally into focus (Atkinson, Cantillon, Marlier, & Nolan, 2002). At the same time it was becoming clear that child poverty, another topic that had come to the fore, was not restricted to households with no or weak work attachment (Van Mechelen & Bradshaw, 2013). A significant proportion, if not the majority, of children growing up in financial poverty were found to live in households mainly reliant on earnings.

Finally, the shift towards activation and an adult worker model brings a new target group of in-work support into focus, i.e. families who, despite their full-time (or substantial) involvement in the labour market, do not succeed to escape poverty. An obvious case is a working lone parent. Indeed, child poverty rates show that poor children with at least one working parent disproportionately live in lone parent households (Vandenbroucke & Vinck, 2013). A single low wage no longer suffices to protect a family against poverty. In the case of a working lone parent, it is obvious that further increasing the labour market attachment of the household cannot provide solace.

In sum, there are good reasons to believe that policy makers had strong incentives to target additional support to low income working families, and indeed they had the policy instruments to do so. European welfare states are equipped with relatively well-functioning tax- and benefit systems, designed to offer additional income support to diverse target groups. We want to assess in this paper how and to what extent such policies were used to offer minimum income support to those in-work.

An interesting question here is what type of policy instruments were favoured by the European governments.

Over the past decade or so, international organizations and scholars alike have started to highlight the potential of tax systems to target support to low income families (Immervoll, 2007; OECD, 2005). Using the tax systems to support particular families is of course not new. Their progressive design and the often large tax allowances for dependent family members are only some examples of how tax systems seek to reinforce social policy (Adema, 1997).

However, some fiscal instruments are more recent. A particular type of tax benefit is a tax credit, a tax benefit that is subtracted from the *final* tax liability. To the extent that these tax credits are refundable, they may even result in a net benefit to families with low tax liabilities. The Anglo-Saxon countries were quite early in taking this aspect of taxation one step further, installing (initially relatively minor) tax credits already in the 1970s and 1980s. The two most
well-known examples, the Earned Income Tax Credit (US) and the Working Tax Credit (UK), target low income working families, with more generous rates for families with children. Until very recently, these tax credits were substantially and consistently increased. Eventually, additional tax credits got introduced, for children and child care costs, to such an extent that large parts of the Anglo-Saxon welfare states became effectively delivered through the tax system.

Specifically looking at child support, Ferrarini et al. (2012) argue that there has been a tendency towards such a fiscalization of child support also in a significant number of Western countries. They argue that child support tends to be more and more organized through a combination of tax credits, tax allowances and benefits, rather than through benefits solely. Given the ample policy attention the Anglo-Saxon working tax credits have garnered, this trend may well extend beyond child support, to support towards low income (working) families more generally.

6.3 Data & Method

This contribution assesses trends in minimum wages and related income components in a cross-nationally comparable way by using standard simulations. Standard simulations are calculations of the net disposable income and its components for a model family, according to the applicable tax benefit rules. The characteristics of the model family are defined by the researcher and depend on the research question. The simulations used in this contribution are taken from the expert-sourced CSB-MIPI dataset. Country experts perform the standard simulations based on a uniform set of assumptions that aim to maximize cross-national and cross-temporal comparability, as well as to gauge minimum income situations. The CSB MIPI data set is comparable to other model family simulation data sets, such as SAMIP (for social assistance benefits only) and the OECD Benefits and Wages data. Its main advantage – at least for the purpose of this paper – is that it explicitly instructs country experts to give background information on the minimum wage cases used in this paper, through a standardized questionnaire. Results were validated against the OECD Benefits and Wages data.

In this contribution, we use the simulations of net disposable income for a 35-year old single and couple, either childless or with two children aged 7 and 14. The model families are assumed to have no savings or income other than the earned wage and income supplements provided by the tax benefit scheme. In each family, one adult works full-time, and is
remunerated at the minimum wage. If present, the second adult in the household is assumed to be inactive. The wage is the national minimum wage, in full-time employment. Moreover, families are assumed to be tenants, and to pay a rent equal to two third of median rent. The simulations reflect the situation in June 2001 and January 2012. As the model family type is defined in the same way in all countries, results are comparable and only indicate genuine policy changes rather than labour market or demographic changes. A drawback of standard simulations is that the results are solely based on highly stylized family types that are not necessarily as common in each country under observation (see Van Mechelen et al., 2011 for a more thorough discussion of this issue).

Yet they allow for a thorough and detailed analysis of trends in supportive income policies. We track trends towards fiscalization and lone parent support by exploiting the fact that model families are alike in all characteristics but the presence of children in the household. Specifically, we calculate the child income tax benefit, total child effort and total net support. The child income tax benefit is defined as the difference in income taxes paid by a model household with children to those paid by the same model household without children. Total child effort is calculated by subtracting the net income of a family without children from the income of a similar family type with children. Both indicators act as measures of respectively the tax advantage and the total net income support awarded solely because of the presence of children in the household (for a similar approach, see Van Lancker & Van Mechelen, 2015). We track trends in the relative share of the child income tax benefit in total child effort to gauge changes in the importance of fiscal benefits. Total net support is defined as the difference between the net income and the minimum wage of a model family (or, put differently, the sum of all benefits minus taxes and social insurance contributions). We track trends in relative net support towards lone parents versus couples to assess whether support has been directed more towards lone parent families as compared to breadwinner couples with children. A similar approach was used by Van Lancker, Ghysels, and Cantillon (2015).

Trends in minimum wages and related net incomes are assessed in real terms, against average wages and median equivalent household income. These indicators are taken from Eurostat

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35 A widely accepted definition of full-time employment does not exist. The number of hours required in a full-time job differs between sectors and between countries. The simulations assume full-time employment for each country, in line with national regulations. Where these are lacking, we follow the national expert’s judgment.
(2015) and the OECD (2015b).\textsuperscript{36} The robustness of minimum wage trends was assessed through the use of time series data of monthly minimum wages on top of trends in simulated minimum wages for a full-time working 35-year old in June 2001, to assess the impact of different reference dates, working hours and experience related top-ups in some countries.

CSB MIPI comprises information for all EU MSs bar Cyprus, Malta and Croatia, as well as for three US states. We assess trends in minimum income protection for workers in all countries where a statutory minimum wage applied over the entire period. Unfortunately, discontinuities in the underlying work hour assumptions preclude the inclusion of Greece, Ireland, the Netherlands and Bulgaria.

6.4 Results

6.4.1 Minimum wages under pressure?

A first issue we seek to address in this contribution is how minimum wages changed over the past decade. A first observation here is that national statutory minimum wages have become more prevalent across the EU, not less. Nearly all EU MSs have a statutory minimum wage today. There remain some exceptions, most importantly the Scandinavian countries, Austria, Italy and until very recently Germany.\textsuperscript{37} Despite its prevalence, large variation exists in minimum wage levels. Within the EU, the highest minimum wage outranked the lowest by a factor of 5 in purchasing power standards in 2012. Self-evidently, the variation is smaller in relative terms, but even relative to gross average wages, the highest minimum wage is still nearly twice as high as the lowest.

In Figure 25 we show minimum wage trends from June 2001 to January 2012 for the countries included in our analysis. Countries are ranked according to the 2001 minimum wage

\textsuperscript{36} We take these indicators as they are provided by these organisations. Some caveats apply: median equivalent household income provided by Eurostat is based on the ECHP for 2001 and for 2009 and 2012 on the EU-SILC. Real terms are calculated using the harmonized indices of consumer prices from Eurostat. We use the HICP based on final household consumption expenditure. It should however be noted that the basket of goods and services is not necessarily fully representative for low income families. Nonetheless, we consider the use of these indicators justified, as they offer the best comparable time series of consumer price indices and living standards currently available for the EU Member States.

\textsuperscript{37} That is not to say no wage floors exist in these countries. Generally, workers are covered by sectoral agreements in these countries (Vaughan-Whitehead, 2010). Austria has moved farthest towards a nation-wide wage floor, with its 2009 agreement between the national employer and employees representatives (European Commission, 2010b).
level, in real (panel A) or relative (panel B and C) terms. Figure 25 does indeed show stagnating minimum wages in countries where these were initially rather high, albeit far more explicitly in real than in relative terms.

Relative to average wages, minimum wages did not keep pace in Belgium, the Czech Republic and France. Figure 25 furthermore shows decreases for Lithuania and Romania. Trends are even stronger relative to national poverty thresholds (i.e. 60% of median equivalent household income). Taking the median equivalent income as proxy for the average living standard in a country, we find that relative minimum wages have eroded in around half of the countries: in relatively generous Belgium and France, but also in Poland, Lithuania, Estonia and the Czech Republic. On the other hand, relative minimum wages increased substantially in Hungary, Slovenia and the UK.

In sum, there are large country differences in the development of minimum wage values in the 2000s. In real terms, these country differences are divided across the line of old versus new EU MSs, with relatively stagnant real minimum wages in the old EU MSs and substantial increases in the new MSs. The average increase in the new MSs is over 60%, whereas it is only 8% in the old MSs included in our sample. Yet this outspoken difference disappears when we compare the trends of relative minimum wages between both country groups. Whereas the average trend in the new member states is always more positive than it is in the old MSs, the differences become quite small indeed (see panel B and panel C).

The real trends translate in a substantial convergence of minimum wages (coefficient of variation decreased from 0.76 to 0.56). Relative to average wages, the decrease in variation is far less pronounced, but self-evidently, variation was far more limited to begin with. The coefficient of variation decreased from 0.2 to 0.14 for the countries in our analysis, and the average level of the relative minimum was very nearly equal in both country groups by 2012. Variation in trends relative to the median equivalent household income remained stable, moreover the new MSs average remains substantially below the Old EU MSs average. All

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38 This reflects the reduction in legal working time in full-time employment from 39 hours per week in 2001 to 35 hours per week in 2012.

39 At the start of the period under observation, both countries still experienced large hikes in minimum wages, average wages and inflation rates. The results for these countries are therefore influenced to some extent by presenting the June 2001 minimum wage relative to the annual average wage.

40 We checked these results (based on the countries for which we have standard simulations referring to June 2001 and January 2012) also on time series data, including a broader group of countries and with different reference dates.
in all, these results do not point towards a universal race to the bottom within the EU. Rather, we find indications for a modest convergence to the middle, where there are both winners and losers.

Figure 25: Percentage changes in gross minimum wages, 2001-2012

A. In real terms

B. Relative to average gross wage
Figure 25. Percentage changes in gross minimum wages, 2001-2012 – ctd.

C. Relative to median equivalent household income

![Graph showing percentage changes in gross minimum wages, 2001-2012, relative to median equivalent household income.]


*Source:* CSB-MIPI Version 3/2013 (Van Mechelen et al., 2011); Purchasing power parities, harmonized indices of consumer prices and median equivalent household income from Eurostat (2015); average wages from OECD (2015b)

### 6.4.2 Overall trends in the adequacy of net income of minimum wage workers

Figure 26 compares trends in minimum wages and simulated net disposable income at a full time minimum wage relative to the poverty threshold, for different household types. Other than in Figure 25, for the ease of presentation changes are presented as percentage point differences relative to the individual typical family’s at-risk-of-poverty threshold (60% of the median equivalent household income)\(^4\). Therefore, changes that are nominally the same for the different household types (such as the change in the minimum wage) will differ when expressed relative to the family’s poverty threshold. We focus in this discussion on the relative difference between income components within the same household type.

Generally, trends in net incomes were more favourable than trends in minimum wages (i.e. the white diamonds indicating trends in net disposable income in Figure 26 are generally

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\(^4\) Please note that therefore differences exist between Figure 25 panel C and Figure 26.
above the black bars depicting the percentage point change in the national minimum wage). This is the case both for countries where minimum wages were left to erode as where they were increased. Yet, there are large differences between different family types. The net disposable income of a single person household developed far more favourable than the minimum wage in Lithuania, Belgium, the Czech Republic and Slovenia. In contrast, net disposable income lagged behind trends in the minimum wage in Estonia and Hungary. In the other countries included in Figure 26 panel A, trends of gross and net incomes were relatively similar, at least for this family type. On average over the EU countries, the difference in changes of the minimum wage vis-à-vis the net disposable income remains relatively limited for a single person household. Both at the start and at the end of the decade, this family type did not receive much additional support (benefits, the white bars in Figure 26, representing the combined impact of social assistance benefits, housing allowances and other non-discretionary and non-contributory cash support). Taxes (the grey bars, representing the combined impact of social insurance contributions, income and local taxes) did decrease substantially in a number of countries (and hence had a positive impact on the net disposable income). This was mainly in the rare countries where taxes were still relatively high at the start of the decade, such as in Lithuania or Belgium. Tax liabilities were decreased in various ways, including tax allowances or credits, and social insurance rebates. Figure 26 panel A clearly shows the exceptional position of Hungary: net disposable income clearly lagged behind trends in minimum wages, due to a substantial increase in the minimum wage, combined with an increase in tax liabilities. In fact, the minimum wage increase was (at least partially) implemented in order to counteract the effects of the flat tax reform that abolished most tax allowances.

The differences between minimum wages and net disposable incomes become more outspoken when there are more members in the household, as these family types generally rely more on additional government interventions. Most importantly, the benefits category includes for family types with children often a sizeable portion of child benefits. Means-tested housing allowances and social assistance benefits take account of the greater need experienced by larger families. Similarly, tax liabilities are generally lower for families where there are more dependents present. It then comes as no surprise that minimum wage and net income trends generally diverge more for larger families, than for a single person household. Panels B, C and D of Figure 26 show the percentage point changes relative to the at-risk-of-poverty threshold of taxes, benefits, net incomes and minimum wages for a breadwinner
couple with and without two children, and a lone parent with two children. For all three family types, net incomes only fare substantially worse than minimum wages in the Czech Republic, Estonia and Hungary. For breadwinner couples, nets lag slightly behind in Portugal and Spain, and for families with children in the UK, although in all three cases the actual differences are negligible. On average however, net disposable income is generally boosted over and above minimum wage trends, and this is especially the case for lone parent households. In addition, for this family type, the more positive development of net disposable income is apparent for both old as new EU Member States, as well as the US reference cases. For breadwinner couples, the trends in Estonia, Hungary and the Czech Republic outweigh the more limited positive trends in the other three new Member States included.

What policy measures were used to boost net disposable incomes over and above trends for gross minimum wages? Figure 26 shows the impact of changes in the broad tax (grey bars) and benefits (white bars) categories to the changes in net disposable income. Whereas for single person households, changes are especially due to taxes (also as this family type generally does not receive substantial benefits), for the other three family types presented in Figure 26, the impact of both income component categories is more balanced over the different countries included.

However, these trends in broad income categories hide significant international variation.

Positive changes to the income tax system were quite common. Benefiting from child tax allowances and tax credits, tax liabilities for low wage families with children were already very low to begin with, but even so, further decreases were common. By 2012, average tax rates for low-wage families with children in most countries approached zero.

In Table 13, we illustrate this point further focusing on the lone parent case, showing the decrease in overall income tax rates for this family type in 2001 and 2012. Overall, the average tax rate decreased by 4.57 percentage points in the EU. Most MSs introduced decreases, yet scope for further reduction was more limited in the old MSs, that had relatively lower taxes to start with. Also, the UK reduced the generosity of its child tax credit over this period. In contrast, the average decrease for a lone parent family in tax rates among the new MSs amounted to 8.75 percentage points. As for singles, the decreases were quite pronounced in Lithuania, which in 2001 still had a relatively substantial tax liability for this family type. Also in the Czech Republic and Slovakia, the tax liabilities decreased substantially, as both countries introduced a substantial child tax credit (that replaced however part of the child
benefit). Finally, tax rates decreased even further for this family type in the US, mainly due to the temporary expansion of its tax credits.

This rather general reduction of income tax rates for lone parents with children begs the question whether this is part of a more general restructuring of welfare state support to low income households to be delivered through the tax system, rather than through traditional benefit schemes. Ferrarini et al. (2012) note such a trend for the child benefit system, terming it the fiscalization of child support. The first two columns of Table 13 aim to shed some light on this issue, for the specific case of a lone parent family. Here we show the share of child support that is provided through the tax system (see data section for details on the calculation). On average for the EU, around one fifth of child support received by a working lone parent with two children is provided through reduction in income tax liabilities or child tax credits. This stands in stark contrast to the practices in Anglo-Saxon countries, where over half of child support is provided in such a way. This ratio has increased over the period 2001-2012 in around half of the EU MSs. Yet there are important exceptions, such as Lithuania and Slovenia, where more classic benefits were introduced or raised.

Trends in the other income components are even more dispersed. Social insurance contributions are generally the same for all family types, in line with their individual, contributory logic. Yet some countries, including Belgium, sought to circumvent this logic by introducing substantial social insurance rebates for low wage workers. A number of Eastern European countries on the other hand added insurance categories. Child benefits generally remained fairly stable or decreased. The most important exception was Lithuania that implemented a child benefit scheme. Poland and Belgium raised the child benefits for lone parent families. Trends in social assistance top-ups are difficult to interpret. Social assistance is a means-tested, residual benefit. It often takes all possible income sources into account (in some countries child benefits or housing allowances may be disregarded). The changing impact of social assistance top-ups on net disposable income therefore not necessarily reflects policy changes with regard to social assistance, but may well reflect changes to the other income components discussed above. Yet there are solid indications that some countries sought to promote social assistance top-ups to low income working families. This was precisely the point of the 2009 French social assistance reform. Similarly, clear policy choices seem to be behind changes in social assistance top-ups in Portugal and the Czech Republic. Finally, the Slovenian increase is due to the extension of eligibility to its housing allowance.
scheme in late 2001, leading to a substantial increase in the importance of this income component.

Figure 26. Trends in net income package and its components of a one-earner family, employed at minimum wage, 2001-2012 (ppt change, relative to the 60% of median equivalent household income)

Panel A. Single person household

Panel B. Couple household
Figure 26. Trends in net income package and its components of a one-earner family, employed at minimum wage, 2001-2012 (ppt change, relative to the 60% of median equivalent household income) - ctd.

Panel C. Couple with two children

Panel D. Lone parent with 2 children


Source: CSB MIPI Version 3/2013 (Van Mechelen et al., 2011), 60 % of median equivalent household income from Eurostat (2015)
Self-evidently, these changes had different repercussions over the various family types. Figure 26 already hinted that the increase in additional support was more substantial and general for lone parent families. In the two most right columns of Table 13, we further look into this matter. These columns show the ratio of total net support received by a lone parent family, as compared to the total net support received by a couple with two children (see data section for the precise calculations). Bar a few exceptions, this family type generally received less net support than a couple with two children in 2001. This is unsurprising, as most means-tested benefits, that are included in our calculation of net support, take account of the additional need represented by the extra adult in a breadwinner couple household. However, by 2012, the ratio had generally increased, and even to such an extent that the ratio of net support received by a lone parent family on average surpassed the support received by a couple with 2 children, that for all intents and purposes but the additional adult was exactly the same. With the sole exception of France, this trend holds for old as well as new EU MSs, and for the US.

The drivers of these increases are diverse, and include measures such as categorical child benefit supplements to lone parent families and tax benefit for lone parents. Their common denominator is the explicit recognition that lone parent families are entitled to additional support. For another measure, this is less clear. The lone parent type case also advances relative to a breadwinner couple with 2 children due to shifting eligibility to and levels of social assistance. Indeed, the activity requirements in some social assistance schemes make breadwinner couples ineligible, a reservation that does not apply to a working lone parent. Portugal is a prime example in this regard. Note that in France, breadwinner couples remained eligible for a social assistance top-up. In fact, the exceptional finding that relatively more support was directed towards breadwinner couples than to lone parent families in this country, is driven by the higher social assistance top-up a couple with children receives. The general pattern however is clearly different and points towards more supportive measures towards a family type that is especially vulnerable, despite already having reached its full earnings potential.
Table 13: Fiscalization and support towards lone parent households, 2001-2012

<table>
<thead>
<tr>
<th></th>
<th>Share of child income tax benefit as % of total child effort</th>
<th>Δ income tax rates</th>
<th>Ratio net support to lone parent versus couple families</th>
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<tr>
<td>BE</td>
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<td>CZ</td>
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<tr>
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<tr>
<td>ES*</td>
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<td>0</td>
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<td>2</td>
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<tr>
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<td>0.32</td>
<td>-3</td>
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<tr>
<td>LT</td>
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<tr>
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<tr>
<td>New MSs</td>
<td>0.11</td>
<td>0.20</td>
<td>-8.75</td>
</tr>
</tbody>
</table>


Source: CSB MIPI Version 3/2013 (Van Mechelen et al., 2011)
6.5 Conclusion

This contribution has looked at trends in the net take home pay of full time persons working for the minimum wage, accounting for changes in taxes, social security contributions and possible additional benefits like child benefits. The focus has been on the period 2001 to 2012, covering a wide set of EU countries, both old and new MSs, and also three US states for reference.

First, we do not find a general decrease in minimum wages. In contrast, minimum wages in the new MSs increased substantially in real terms, and remained relatively stable in the old MSs. Evidence of such a catch-up growth was more limited in relative terms. Variation was already low to begin with. Still, minimum wages in countries where these were low at the start of the observation period caught up to some extent, whereas the minimum wages in the more generous countries lost ground relative to average living standards.

This paper covers a period when concerns with ‘making work pay’ and in-work poverty grew increasingly more prominent, at least in policy discourse at the international (OECD), European and national level, be it in various degrees and guises. We find that by and large this trend was for real. We see substantial declines in income tax liabilities among minimum wage workers, especially for those living in single adult households that were still facing relatively substantial tax burdens at the start of the observation period. In many countries, the importance of child support through the tax system in the overall net income support seems to have increased. This is consistent with claims that a trend is unfolding towards a fiscalization of income support policies. Finally, we expected that the strongest efforts were aimed at working lone parents, as they face the strongest disincentives to take up low-paid work, while in-work poverty is also especially prevalent among this population group. We do find indications that governments stepped up efforts to offer income support for low earnings households and that this happened even more for lone parents as compared to single persons or breadwinner couples.

In a way this is relatively hopeful. Yet the fact of the matter remains that in-work poverty persists even in countries that have taken substantial additional efforts to support households on low earnings. It is worth stressing again that in most EU countries a majority of children growing up in financial poverty live in households that mainly rely on earnings. For many of them this is a long-term affliction when parents (or more often the sole parent) have limited opportunities for upward pay mobility. Thus for the rhetoric of ‘making work pay’ and ‘a job
is the best protection against poverty’ to become a reality there is still a long way to go in
many countries. The question is whether governments will have enough zeal and resources to
stem what seems to be an inevitable tide towards fewer decent jobs for the least skilled and
yet ever greater competition for these jobs.
Chapter 7: A new kid in town? Active inclusion elements in European minimum income schemes


Abstract

This paper assesses the current variation in activation strategies directed towards able-bodied persons of working age relying on a minimum income guarantee in 19 EU Member States. First, we argue that the Active Inclusion notion developed by the European Commission in its 2008 “Recommendation on the active inclusion of persons excluded from the labour market” provides a useful tool to categorize current activation strategies towards minimum income protection (MIP) recipients. Consequently we assess the empirical viability of active inclusion strategies in a fuzzy set ideal type analysis of purpose-collected institutional data. We find that there are only few countries where the activation discourse has remained a dead letter. Most countries implement policy measures that aim to discourage benefit dependency among MIP recipients. Nevertheless, behind the realities of activation strategies towards MIP recipients seldom lies the notion of active inclusion as defined by the European Commission. Particularly, many countries focus predominantly on incentives to increase labour market participation rates of MIP recipients, rather than enabling measures.

42 The authors would like to thank participants to the Improve Spring Project Meeting (Antwerp, April 9 2014), the IZA/OECD/Worldbank Conference on Safety Nets and Benefit Dependence: Evidence and Policy Implications (Paris, May 21-22 2013) and the JCPA/ICPA conference (Leuven, November 27-30 2013), and especially Ive Marx, Wim Van Lancker, Tim Goedemé, Bea Cantillon and two anonymous reviewers of Social Policy and Administration, for helpful suggestions and comments. A Dutch version of this paper was published as Marchal, S. and Van Mechelen, N. (2015) Nil Novi sub Sole? Actieve inclusie in Europese bijstandsstelsels. In: Dierckx et al. (Eds.) Armoede en Sociale Uitsluiting (pp. 57-75). Leuven: Acco
7.1 Introduction

In 2008, EU level interest in minimum income protection led to the publication of the Recommendation on the active inclusion of persons excluded from the labour market (henceforth the 2008 Recommendation) by the European Commission. Building on accumulated expertise and consultations with relevant stakeholders (Frazer, Marlier, & Nicaise, 2010), the 2008 Recommendation lists the main policy instruments and domains deemed relevant for the activation of this specific target group. These are structured around three pillars, i.e. adequate income support, inclusive labour markets and access to affordable and quality services. This paper asks whether the principles outlined in this policy document provide a useful extension to common activation typologies for assessing variation in activation strategies directed at the specific target group of minimum income protection (MIP) beneficiaries. To this end, we hold the active inclusion principles against dimensions that have been identified as capturing differences in activation types, before we embark on an empirical assessment of activation strategies in 19 EU Member States’ MIP schemes, for January 2012.

This preoccupation is warranted in at least two perspectives. First, through its synthesis and application of previously identified activation dimensions to the less well-studied target group of MIP recipients, this paper contributes to the literature on the nature and diversity of activation strategies in contemporary welfare states. Second, from a (European) policy perspective, it is important to gauge to what extent Member States have embraced EU level principles of activation (Graziano, 2011, 2012) and, more in particular, the notion of active inclusion in their policy design.

In the following section, we briefly discuss the principles outlined in the active inclusion recommendation. Next, we assess whether and to what extent active inclusion represents a different view on activation than previous assessments of activation types. We proceed by presenting the data and methodology used to assess the empirical variation in activation types in Europe’s MIP schemes. The next section describes the variation on separate active inclusion indicators over EU Member States. Finally, we assess the empirical viability of the active inclusion principles by means of a fuzzy set ideal type analysis and conclude.
7.2 Active inclusion principles

The 2008 Recommendation combines a long-standing EU level interest in adequate MIP schemes with a focus on common social policy objectives through economic growth and increasing labour market participation (Cantillon & Van Mechelen, 2012; Vandenbroucke & Vleminckx, 2011). It hence simultaneously embraces the “activation” and the “protection” functions of minimum income provisions and labour market policies directed towards those on a long distance from the labour market.

First, the *adequate income support* pillar encourages Member States to “recognise the individual’s basic right to resources and social assistance sufficient to lead a life that is compatible with human dignity” (European Commission, 2008a, p. 12). However the 2008 Recommendation remains vague on the desired level of minimum income guarantees as well as on issues related to coverage and take-up of assistance payments. The preconditions for adequate income support included by the Commission mainly relate to the requirement for persons whose condition renders them fit for work to remain available for the labour market or vocational training, and to the necessity to provide incentives to seek employment.

The second pillar, *inclusive labour markets*, details that persons able to work should “receive effective help to enter or re-enter and stay in employment that corresponds to their work capacity” (European Commission, 2008a, p. 13). It urges Member States to provide for a broad range of very different types of active labour market measures, including policies that raise the employability of the workforce and improve the accessibility and quality of jobs at the bottom of the labour market. Member States are cautioned to “continually review the incentives and disincentives resulting from tax and benefit systems, including the management and conditionality of benefits and a significant reduction in high marginal effective tax rates, in particular for those with low incomes”. The European Commission hence encourages countries to equip benefit schemes with due availability criteria and job search obligations.

Third, *access to quality services* is considered essential. A wide range of services is considered necessary to help benefit recipients in getting their lives back on track, including social assistance, housing support, childcare, health and care services. These services should be affordable, readily available, and easily accessible for those in need.
7.3 Activation typologies

The widespread shift in government priorities from passive income support to activation and investment (Weishaupt, 2011), has led to an abundance of activation forms and instruments (Barbier & Ludwig-Mayerhofer, 2004; Eichhorst & Konle-Seidl, 2008). Scholars have sought to reduce this diversity into a number of well-defined activation dimensions, to gauge the specific nature of activation across countries and over time (see, among others, Van Berkel & Hornemann Moller, 2002; Weishaupt, 2011).

Given their different focus and research question, the resulting characterizations tend to differ on various accounts, including the precise definition of activation. Yet, especially more instrument-oriented classifications do share a focus on the distinction between ending benefit dependency through labour market participation versus human capital formation as two different approaches to activation (Barbier & Ludwig-Mayerhofer, 2004; Bonoli, 2011; Dingeldey, 2007; Leibetseder, 2015; Torfing, 1999). The former approach aims to incentivize behaviour that increases labour market integration. It includes measures that offer both financial and non-financial stimuli intended to lower the reservation wage such as low benefit levels, strict availability requirements or time limits. The second approach focuses on human capital formation through social investment-oriented measures or what Dingeldey (2007) has labelled ‘enabling’ policies, like education, vocational formation and other services to promote employability. It favours improving individual capacities, rather than inducing behavioural change.

This broad-brush distinction between incentive-centred (or recommodifying) and human capital formation (or investment) activation strategies self-evidently obfuscates variation in their exact conceptualization and operationalization. We discuss two differences that are especially relevant in the light of the policy principles the European Commission promoted in its 2008 Recommendation.

A first distinction relates to the conceptualization of human capital formation that can either be broad and referring to all policies that promote individual autonomy, or narrow, focusing only on those with direct labour market finalities. Whether or not services with no direct labour market finality are included in a country’s assessment of activation strategies is a case in point. There is general agreement that services play a crucial role when it comes to investing in human resources. Services directly related to labour market participation, such as the provision of child care, are indeed routinely identified as activation policies (Bengtsson,
2014; Bonoli, 2009, 2011; Dingeldey, 2007). Some authors however argue to consider a much broader range of services when assessing the strength and nature of activation policies. Weishaupt (2011), for example, stresses the role of ‘bridge services’ between welfare and employment. Bridge services are not primarily about work but aim to increase individual chances to social integration, and only indirectly to labour market participation (e.g. debt counselling). Typologies also differ on the treatment of MIP benefit levels in their conceptualization of human capital formation. Benefit levels can be considered relevant to the extent they impact on incentives to take up employment (Bonoli, 2011; Eichhorst & Konle-Seidl, 2008; Weishaupt, 2011), or, more broadly, to the extent they protect against poverty (Aurich, 2011; Bengtsson, 2014). Whether a typology favours a narrow or a broad interpretation of human capital formation policies ultimately depends on the research question at stake. For instance, a broader conceptualization that includes the level of income support may allow for a better understanding of the link between active labour market and wider social policy provisions. It draws attention to the fact that activation policies are often part of a broader strategy to relieve financial distress and to prevent and resolve situations of social exclusion (Aurich, 2011; Heidenreich & Aurich-Beerheide, 2014; Torfing, 1999).

Second, while it is generally recognized that activation strategies may combine both incentives and human capital formation-oriented elements, both approaches may be presented as two separate (and implicitly opposing) ideal types (and Barbier & Ludwig-Mayerhofer, 2004 as straightforward examples; with Torfing, 1999). Such a presentation leaves only limited scope for a full understanding of mixed cases. Conversely, Bonoli (2010, 2011) does devote particular attention to potential mixed cases. He sees both aims of activation to represent two distinct dimensions or axes of activation, thereby allowing for four types of activation: incentive reinforcement, upskilling, employment assistance and occupation. The first two activation types bear close resemblance to the incentive and human capital formation approaches (see e.g. Dingeldey, 2007), whereas the third and fourth are mixtures of both extremes. Employment assistance, for instance, consists of measures aiming at removing obstacles to labour market participation without impacting on work incentives. Relevant policies in this regard are placement services, job search programmes, labour market counselling and job subsidies.
7.4 Active inclusion: incentive-centred or boosting human capital?

The active inclusion notion as proposed by the 2008 Recommendation can be seen as a mixed activation strategy. Measures to increase employability are at the centre of the active inclusion strategy, yet the pillar of inclusive labour markets includes a warning against possible labour market disincentives stemming from tax-benefit systems. Following Bonoli (2010, 2011), Graziano (2012) has classified active labour market policies pursued today at the EU level as a hybrid combining elements of both upskilling and employment assistance features. Yet, the active inclusion strategy goes beyond strict active labour market policies as it explicitly includes measures to fight social exclusion. Measures that aim to promote inclusive labour markets are directly linked to the pillars of adequate income support and quality services. In this sense, the active inclusion concept really lives up to its name: it aims to connect activation recipes to enhanced social protection and the broader set of welfare provisions aimed at social inclusion. The active inclusion strategy therefore performs well in terms of what Aurich (2011) has labelled the autonomy enhancing side of activation. It combines a broad interpretation of human capital policies with conditional elements that are commonly seen as recommodifying.

7.5 Active inclusion as a tool to identify activation strategies

We have argued that active inclusion is in essence a multi-dimensional notion that combines a broad interpretation of human capital formation with an incentives approach to activation. Especially the inclusive labour markets pillar combines an enabling with a recommodifying intent, explicitly recommending enabling labour market policies as well as more demanding labour market participation incentives. Therefore we disentangle the active inclusion strategy in four conceptually clear elements: adequate income support, the incentive-oriented side of inclusive labour markets, the enabling, human capital formation elements of inclusive labour markets and access to quality services. In this paper, we will classify countries’ activation strategies according to their position on each of these elements.

In explicitly acknowledging the multi-dimensional nature of the active inclusion concept, our classification shares with Bonoli’s typology a strong focus on mixed activation strategies. The four different dimensions allow for a more fine-grained mapping of activation strategies than is commonly the case, be it for a very specific target group. More in particular, as the active inclusion concept encompasses the adequacy of income support and access to quality services, such a classification takes into account how active labour market policies are embedded in
broader welfare policies. An assessment of activation strategies based on the active inclusion elements allows to gauge empirically not only to what degree incentive-oriented policies are actually combined with investment type measures, but also to identify to what extent governments have been successful in reconciling active labour market policies with adequate income support and the provision of quality services.

7.6 Data & Method

7.6.1 Data

This paper uses institutional data on minimum income provisions for the able-bodied of working age in 19 EU countries referring to the situation in January 2012. The focus of this paper lies on policy output, i.e. actual policy guidelines or directives, rather than on policy outcomes (Green-Pedersen & Haverland, 2002). This allows assessing purposeful changes in measures directed to a target group for which implementation data are generally absent or marred by contextual factors. Data are extracted from the expert-sourced CSB-MIPI data set. More in particular, the analysis builds on i) standard simulations of the net disposable income guaranteed to the able-bodied of working age and on ii) information on activation efforts and activity requirements. Standard simulations are calculations of the net disposable income and its components for a hypothetical family in a certain income situation (in casu as beneficiaries of MIP schemes), following applicable tax benefit rules. The advantages of this approach are the easy interpretability and clear-cut comparability across countries. Moreover, as the hypothetical family is the same for all countries, the resulting net incomes solely reflect differences in policies. Based on a detailed questionnaire, national social policy experts complement these simulations with qualitative and quantitative indicators of activity requirements targeted to MIP recipients, as well as information regarding additional support measures available to this group. Among other things, CSB-MIPI contains information on activity requirements tied to continued benefit receipt (such as subscribing to the public employment service), the severity of sanctions (such as the maximal reduction of benefits for first activity related infringements), whether or not a reasonable job definition is applicable to MIP recipients and if so, what are its criteria. The questionnaire also includes background information on the active labour market programmes available to MIP recipients. In addition, the questionnaire asks which additional services are likely available to MIP recipients, out of a range of options that were identified as particularly relevant in an earlier data gathering. Answers are validated against secondary sources and through additional contacts with the
national expert. The questionnaire is constructed in such a way to maximize cross-national comparability to the extent possible, by focusing on the most stringent cases in a minimum income situation (see Van Mechelen et al., 2011 for a detailed description).

However, activation policies generally leave large leeway to the local level or even individual social workers (Kazepov, 2010; Lipsky, 1980; Minas, Wright, & Van Berkel, 2011). This limits the scope for a truly cross-national comparison. Data therefore refer to the situation in a large city when income support or activation is devolved to the local level (see note to Table 16). Indicators are based on national or local laws and policy guidelines in order to gauge non-discretionary activation policies.

7.6.2 Method

7.6.2.1 Fuzzy set ideal type analysis

We use fuzzy set ideal type analysis (fsITA) to assess the conformity of activation policies to the active inclusion principles of the 2008 Recommendation. As a subfield of Qualitative Comparative Analysis (Ragin, 1987, 2000; Schneider & Wagemann, 2012), fsITA asserts social science concepts as complex and multidimensional. Cases are explicitly seen as configurations of aspects to which they can adhere to varying extent.

First, a researcher performing an fsITA needs to identify the aspects of the complex multidimensional concept under scrutiny, so-called sets (see Table 14). Next, the degree to which cases adhere to any of these sets is captured in set membership scores that are based on empirical indicators. The indicators are converted into scores building on substantive and theoretical knowledge. Scores take values between 0 and 1, where 0 indicates that a case is considered to have no relevant adherence to the aspect in question (fully out of the set) and 1 that the case is considered to completely align (fully in the set). A value of 0.5 denotes the point of maximum ambiguity (see Table 15). Through logically combining these set membership scores, it is possible to systematically assess cases’ membership into the overarching underlying concept (i.e. the ideal typical construct). The logical combination follows two principles. First, a case is only a member of a set to the extent it is not a member of the negated set. (More precisely, a membership score of 0.3 in the adequate income support set corresponds to a membership score of 0.7 in the negated “not adequate income support” set.) Second, a case is only a member of a combination of sets to the extent it is a member of each of the underlying sets. A thorough discussion of these principles is provided by Kvist (1999) and Schneider and Wagemann (2012).
7.6.2.2 Pure and hybrid activation strategies

We have identified four main elements of active inclusion: i) adequate income support, inclusive labour markets through ii) incentives and through iii) enabling measures and iv) quality services. The presence of all four elements indicates an adherence to the active inclusion activation strategy.

Four other theoretically relevant activation strategies are conceivable when building on one or more of these active inclusion elements (see Table 14). The first one is a single-minded focus on incentives, favouring a quick reintegration in the labour market through increased conditionality, sanctions and financial incentives (other commonly employed labels for broadly similar strategies include workfare in Dingeldey (2007), or the liberal type in Barbier and Ludwig-Mayerhofer (2004)). A strategy focusing solely on labour market activation through enabling policies has been used as a natural contrasting case (Dingeldey, 2007). Either implicitly or explicitly, it has been recognized that both approaches can be combined in a single strategy (Dingeldey, 2007; Etherington & Ingold, 2012; Torfing, 1999). A prime example is the employment assistance type by Bonoli (2011) (cf. supra). In Table 14 we term this combination the comprehensive (employment-oriented) model as it combines a broad range of employment-centred enabling measures with substantial incentives. The main difference with the active inclusion strategy is the focus on directly employment-oriented measures, rather than broadening the strategy’s scope to more inclusionary measures such as adequate income support or bridge services. Finally, one can think of a pre-activation model where providing passive income support rather than preventing social risks is the main policy priority. Even though the empirical relevance of this passive protection model may be limited, it is theoretically interesting in the light of the paradigmatic shift from passive social protection to activation and investment. Eleven more “hybrid cases” (cf. Hudson & Kühner, 2009) are logically possible (see Table 14).
Table 14. Logically possible combinations of the four active inclusion aspects

<table>
<thead>
<tr>
<th></th>
<th>Adequate income support</th>
<th>Enabling policies</th>
<th>Incentives</th>
<th>Access to quality services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PURE TYPES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Active inclusion</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Enabling</td>
<td>-</td>
<td>+</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Incentives</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>Comprehensive</td>
<td>-</td>
<td>+</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>Passive protection</td>
<td>+</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>HYBRID TYPES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enabling +</td>
<td>+</td>
<td>+</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>+</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Incentives +</td>
<td>+</td>
<td>-</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Active inclusion -</td>
<td>-</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>+</td>
<td>-</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>+</td>
<td>+</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Passive protection +</td>
<td>+</td>
<td>-</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td><strong>NO MAIN FOCUS</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>+</td>
</tr>
</tbody>
</table>
### Table 15. Operationalization and calibration

<table>
<thead>
<tr>
<th>Adequate income support</th>
<th>0</th>
<th>[0.01-0.17]</th>
<th>[0.17-0.33]</th>
<th>[0.33-0.5]</th>
<th>0.5</th>
<th>[0.5-0.67]</th>
<th>[0.67-0.83]</th>
<th>[0.83-1]</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fully out</td>
<td>Almost fully out</td>
<td>Fairly out</td>
<td>More or less out</td>
<td>Nor more in or out</td>
<td>More or less in</td>
<td>Fairly in</td>
<td>Almost fully in</td>
<td>Fully in</td>
</tr>
<tr>
<td>Net MIP income relative to median eq. hh income, average over 4 family types</td>
<td>40%</td>
<td>[40-43.4]</td>
<td>[43.4-46.6]</td>
<td>[46.6-50]</td>
<td>50%</td>
<td>[50-53.4]</td>
<td>[53.4-56.6]</td>
<td>[56.6-60]</td>
<td>60%</td>
</tr>
<tr>
<td>Time limits</td>
<td>yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Enabling

<table>
<thead>
<tr>
<th>Range of ALMP types available to MIP recipients</th>
<th>≤ 1</th>
<th>0.25: 2</th>
<th>2, incl. training</th>
<th>0.75: all 3</th>
<th>3, training most likely</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net MW income relative to median eq. hh income, average over 4 family types</td>
<td>40%</td>
<td>[40-43.4]</td>
<td>[43.4-46.6]</td>
<td>[46.6-50]</td>
<td>50%</td>
</tr>
</tbody>
</table>

### Incentives

<table>
<thead>
<tr>
<th>Net MIP income relative to net MW income, average over 4 family types</th>
<th>90%</th>
<th>[90-86.3]</th>
<th>[86.3-82.8]</th>
<th>[82.8-79.1]</th>
<th>79.1</th>
<th>[79.1-75.4]</th>
<th>[75.4-71.9]</th>
<th>[71.9-68.2]</th>
<th>68.2%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Severity of sanctions</td>
<td>None</td>
<td>0.17: &lt;50%, &lt;1m</td>
<td>0.34: ≥50%, &lt;1m</td>
<td>0.67: &gt;1m</td>
<td>0.83: 100%, &gt;1m</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of characteristics of a reasonable job offer</td>
<td>3</td>
<td>0.33: 2</td>
<td>0.67: 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Presence of workfare</td>
<td>No</td>
<td></td>
<td></td>
<td></td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 15. Operationalization and calibration – ctd.

<table>
<thead>
<tr>
<th></th>
<th>0</th>
<th>[0.01-0.17]</th>
<th>[0.17-0.33]</th>
<th>[0.33-0.5]</th>
<th>0.5</th>
<th>[0.5-0.67]</th>
<th>[0.67-0.83]</th>
<th>[0.83-1]</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully out</td>
<td>Almost fully out</td>
<td>Fairly out</td>
<td>More or less out</td>
<td>More or less in</td>
<td>Fairly in</td>
<td>Almost fully in</td>
<td>Fully in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Range of services likely available to MIP recipients in large cities</td>
<td>0</td>
<td>0.09: 1</td>
<td>0.18: 2</td>
<td>0.36: 4</td>
<td>0.55: 6</td>
<td>0.73: 8</td>
<td>0.91: 10</td>
<td>all 11 possible types</td>
<td></td>
</tr>
</tbody>
</table>

Note: 9-value fuzzy set labels as proposed by Kvist (1999, p. 236) for translating membership scores into verbal concepts. When no transformation of underlying empirical data between cut-off points is obviously preferable, a linear transformation is employed in line with common practice (Ciccia & Verloo, 2012; Hudson & Kühner, 2012; Thiem, 2010, p. 10; Vis, 2007). Scores on separate indicators are combined into set membership scores according to set-specific considerations (for a similar combination approach: see Vis (2007)). Adequate income support: when time limits apply, a country is considered to be fully out: intersection of both aspects. Enabling: supportive measures (ALMP) in combination with quality jobs: intersection of both aspects. Incentives: conditionality score (intersection of sanctions and reasonable job) replaced by 1 if pure workfare is required. Conditionality is allowed to compensate for lack of financial incentives and vice versa, as the aim is to gauge overall incentives (union of both aspects). Services: quality services defined as both affordable and available: intersection of both aspects. MW: minimum wage, ALMP: active labour market programmes, m: month, hh: household, eq.: equivalized.
7.7 The active inclusion elements

Table 15 summarizes the indicators used to assess countries’ adherence to the different aspects of active inclusion. Following common practice (see for instance Bahle et al., 2011; Nelson, 2013), we assess the adequacy of income support through standard simulations of net benefit packages in relation to commonly used poverty thresholds. Moreover, we consider it a fundamental characteristic of the “last safety net” (Bahle et al., 2011) to provide a minimum income guarantee for as long as the need persists (see footnote to Table 15 for details on the combination of both indicators into a single adequate income support set membership score). Based on net benefit levels, virtually none of the 19 countries included in our study ensures adequate income support. Benefit levels nowhere reach the EU 60% at-risk-of-poverty threshold, although it was repeatedly proposed as a minimally acceptable standard (see for instance European Parliament, 2010). Most countries do not even succeed in guaranteeing a minimum income above 40% of median equivalent household income, identified as severe poverty by Behrendt (2002). Yet time limits are quite exceptional. In Italy (Milan), a tight budget and the lack of a sound legal basis lead to de facto time limits. In Lithuania, final safety net benefits are regressive in time, and may be withdrawn from singles without children.
Figure 27. Average net disposable income of four model families depending on social assistance and minimum wage, relative to median equivalent household income, 2012

Note: Model families included are a single and couple both with and without two children (aged 7 and 14). Social assistance case: no income other than provided through the tax-benefit system. Simulations for LT and IT assume full-year receipt. See note to Table 16 for assumptions regarding locality. Minimum wage case: family has no income other than one full-time full-year minimum wage and income provided by the tax-benefit system. Where no statutory minimum wage exists, the wage floor is captured through the minimum wage level nationally agreed between the social partners (AT) or a low sectoral minimum wage (IT, FI). For DE, an hourly minimum wage of €7.5 was assumed.

Source: CSB-MIPI Version 3/2013 (Van Mechelen et al., 2011); median equivalized household income from Eurostat (2014).

Countries’ commitment to services is assessed through the combination of the range of services likely available to MIP recipients and the childcare costs burden for minimum wage earners (see Table 15). Large variation exists. Child care costs exceeding 30 per cent of net income are no exception, yet Finland and Austria succeed in keeping costs under three per cent of net minimum wage income (Figure 28). In Italy, Lithuania and Slovakia (former) MIP recipients are in principle even entitled to free child care. The full range of available

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43 Three percent is roughly the share of child care costs in the net income of a lone parent with a low wage in Sweden - an often-cited exemplary case (e.g. Duvander & Ferrarini, 2013; European platform for investing in children, 2014) - based on standard simulations (see CSB MIPI, Van Mechelen et al., 2011). The 30 per cent cut-off threshold stems from considering both the distribution of child care cost shares across countries as well as the strain such a share places on lone parents’ budget. An alternative calibration does not impact on the results (see appendix).
bridge services spans social assistance services, housing support, child care, health services, transport, leisure, communication, clothing, food, judicial support and debt services. The combination of both aspects in the membership scores presented in Table 16 shows that also this pillar is not convincingly present in the EU countries. In countries such as the Czech Republic, Estonia, Poland, Portugal, Romania and the UK, MIP beneficiaries either face high child care costs, an extremely limited offer of bridge services or both.

Figure 28. Child care costs of a lone parent with a 2-year old child, working full-time at minimum wage, 2012

Note: full-time full-year care in the most common type of child care in a large city (see note to Table 16). Simulations take account of rights-based child care tax credits or benefits. Where no statutory minimum wage exists, proxies are used (see note to Figure 27). The value for CZ is set to the maximum value present in the sample, as the national respondent did not provide an estimate of the actual cost due to the irrelevance of official child care.

Source: CSB-MIPI Version 3/2013 (Van Mechelen et al., 2011)

This stands in stark contrast to the more directly labour market related aspects of active inclusion. Especially incentive-focused labour market policies are quasi omni-present. Table 17 shows the indicators selected to assess the stringency of non-financial incentives. Clearly, activation related infringements are punished in all EU countries, although they can be more or less severe (see Table 15). Even though financial incentives are generally lower in countries with more generous minimum income support (see Figure 27), only in Austria and
Estonia do net benefits exceed 90% of minimum wage income\textsuperscript{44}. In contrast, the 2009 French minimum income reform brought net MIP benefits to 68.2% of a full-time net minimum wage\textsuperscript{45}, through the implementation of a generous earnings disregard rather than through benefit cuts (Van Mechelen et al., 2011). We consider either one of these indicators to be relevant in promoting labour market attachment through incentives (see footnote to Table 15). Membership scores\textsuperscript{46} to the enabling dimension are less outspoken (Table 16). As internationally comparable data on active labour market programme (ALMP) spending for MIP recipients is lacking, scores are based on the range and content of ALMP relevant to MIP recipients, with a broader range and a substantial human capital development component considered to be more enabling (Bonoli, 2011; Goerne, 2012) (see Table 15). We distinguish between three - admittedly broad - types of active labour market programmes: training, employment experience in the public sector and in the private sector\textsuperscript{47}. Most country experts reported at least one programme for each category. Exceptions are a lack of pure employment programmes for the private sector in the Czech Republic, and in the public sector in Italy, the Netherlands, Romania and the UK. All countries provide some form of training. An additional aspect of enabling policies relates to the quality of jobs at the bottom of the labour market (Table 15). A straightforward yet narrow indication is whether low income jobs protect against poverty (see Figure 27). It is quite rare that a single minimum wage job fully protects a family against the risk of poverty, mainly as a minimum wage does not suffice for families with children (Marx et al., 2013). Yet in most Western European countries, as in the Czech Republic, Romania, Poland and Slovenia, a sole minimum wage on average ensures a net income above 50% of median equivalized household income. Only in Bulgaria, net minimum wage income falls short of 40% of median income.

\textsuperscript{44} Vis (2007) and Kvist (1999) employ a similar cut-off point to indicate to what extent unemployment benefits allow to maintain a similar standard of living in the short run.

\textsuperscript{45} This is the average ratio of net social assistance to net minimum wage income based on standard simulations for four family types. See appendix for the impact of alternative cut-off thresholds.

\textsuperscript{46} An important caveat to these first observations relates of course to the validity of our choice of thresholds. Using different cut-off thresholds does impact on the provided categorization for some cases (see appendix).

\textsuperscript{47} This distinction is loosely based on the classification in Martin and Grubb (2001). Specific target group measures (such as youth or disabled) are not included, nor are smaller ALMPs such as start-up grants for self-employment or workfare, defined as pure work-for-benefit without a human capital element.
Table 16. Set membership scores

<table>
<thead>
<tr>
<th></th>
<th>Adequate income</th>
<th>Enabling</th>
<th>Incentives</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT&lt;sup&gt;a&lt;/sup&gt;</td>
<td>0.63</td>
<td>0.82</td>
<td>0.34</td>
<td>0.55</td>
</tr>
<tr>
<td>BE&lt;sup&gt;b&lt;/sup&gt;</td>
<td>0.20</td>
<td>0.75</td>
<td>0.84</td>
<td>0.82</td>
</tr>
<tr>
<td>BG</td>
<td>0.00</td>
<td>0.00</td>
<td>1.00</td>
<td>0.18</td>
</tr>
<tr>
<td>CZ&lt;sup&gt;c&lt;/sup&gt;</td>
<td>0.19</td>
<td>0.50</td>
<td>0.54</td>
<td>0.00</td>
</tr>
<tr>
<td>DE&lt;sup&gt;d&lt;/sup&gt;</td>
<td>0.26</td>
<td>0.75</td>
<td>0.57</td>
<td>0.43</td>
</tr>
<tr>
<td>EE&lt;sup&gt;d&lt;/sup&gt;</td>
<td>0.23</td>
<td>0.35</td>
<td>0.00</td>
<td>0.09</td>
</tr>
<tr>
<td>FI&lt;sup&gt;c&lt;/sup&gt;</td>
<td>0.38</td>
<td>0.87</td>
<td>0.34</td>
<td>0.55</td>
</tr>
<tr>
<td>FR</td>
<td>0.00</td>
<td>0.75</td>
<td>1.00</td>
<td>0.13</td>
</tr>
<tr>
<td>HU&lt;sup&gt;b&lt;/sup&gt;</td>
<td>0.00</td>
<td>0.43</td>
<td>1.00</td>
<td>0.27</td>
</tr>
<tr>
<td>IT&lt;sup&gt;a&lt;/sup&gt;</td>
<td>0.00</td>
<td>0.50</td>
<td>1.00</td>
<td>0.45</td>
</tr>
<tr>
<td>LT&lt;sup&gt;c&lt;/sup&gt;</td>
<td>0.00</td>
<td>0.25</td>
<td>1.00</td>
<td>0.55</td>
</tr>
<tr>
<td>LU</td>
<td>0.51</td>
<td>0.75</td>
<td>0.84</td>
<td>0.27</td>
</tr>
<tr>
<td>NL&lt;sup&gt;d&lt;/sup&gt;</td>
<td>0.81</td>
<td>0.50</td>
<td>0.67</td>
<td>0.36</td>
</tr>
<tr>
<td>PL&lt;sup&gt;e&lt;/sup&gt;</td>
<td>0.00</td>
<td>0.75</td>
<td>1.00</td>
<td>0.00</td>
</tr>
<tr>
<td>PT&lt;sup&gt;c&lt;/sup&gt;</td>
<td>0.00</td>
<td>0.47</td>
<td>0.97</td>
<td>0.00</td>
</tr>
<tr>
<td>RO</td>
<td>0.00</td>
<td>0.50</td>
<td>1.00</td>
<td>0.00</td>
</tr>
<tr>
<td>SI</td>
<td>0.00</td>
<td>0.69</td>
<td>0.74</td>
<td>0.64</td>
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<td>SK</td>
<td>0.00</td>
<td>0.32</td>
<td>1.00</td>
<td>0.55</td>
</tr>
<tr>
<td>UK</td>
<td>0.39</td>
<td>0.50</td>
<td>1.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Note: <sup>a</sup> Main decision making authority in each of the four strands is the regional or local government. AT: Vienna, IT: Milan; <sup>b</sup> Main decision making authority is the regional or local level for incentives and services, or mixed. BE: Antwerp, HU: city > 40000 inhabitants; <sup>c</sup> Main decision making authority is the regional or local level (or mixed) for services. CZ, FI, LT: large town; PT: Lisbon; <sup>d</sup> Main decision making authority is the regional or local level (or mixed) for enabling policies, incentives and services. DE: Cologne; EE: Tartu; NL: Utrecht; <sup>e</sup> PL: authority is mixed over the national and local level for adequate income support, enabling policies and services. The national framework stipulates minimum requirements for income support and enabling policies. This minimum is used for the calibration. Services are those likely relevant in a Polish city.
Table 17. Conditionality of minimum income benefits, 2012

<table>
<thead>
<tr>
<th>Geographical</th>
<th>Reasonable job definition</th>
<th>Occupational</th>
<th>Other</th>
<th>Most severe sanction possible at first violation</th>
<th>Workfare</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Reduction (%) of benefit</td>
<td>Duration (months)</td>
</tr>
<tr>
<td>AT</td>
<td></td>
<td></td>
<td></td>
<td>25</td>
<td>1</td>
</tr>
<tr>
<td>BE</td>
<td></td>
<td></td>
<td></td>
<td>100</td>
<td>1</td>
</tr>
<tr>
<td>BG</td>
<td>&lt;30 km</td>
<td>Taken into account</td>
<td></td>
<td>100</td>
<td>12 x</td>
</tr>
<tr>
<td>CZ</td>
<td>Accessible</td>
<td>If possible</td>
<td>&gt;80% of full-time, &gt;3m</td>
<td>30</td>
<td>2</td>
</tr>
<tr>
<td>DE</td>
<td>Commute &lt;2.5h</td>
<td>Not hinder return to former job</td>
<td>Personal, cultural and religious</td>
<td>30</td>
<td>3</td>
</tr>
<tr>
<td>EE</td>
<td>Commute &lt;2h, cost &lt;15% wage</td>
<td>Corresponds to experience, &gt;60% of former wage or twice the MW (first 20 weeks)</td>
<td>No temporary jobs (first 20 weeks)</td>
<td>100</td>
<td>1</td>
</tr>
<tr>
<td>FI</td>
<td>Within area of employment (no reservation if single)</td>
<td>Occupational immunity (first 3m)</td>
<td></td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>FR</td>
<td>&lt;30 km or 1h (first 6m)</td>
<td>&gt;85% former wage (first year)</td>
<td>Availability of child care</td>
<td>50 (80 if single)</td>
<td>3</td>
</tr>
<tr>
<td>HU</td>
<td></td>
<td>Max one level lower</td>
<td></td>
<td>Withdrawn</td>
<td></td>
</tr>
<tr>
<td>IT</td>
<td></td>
<td>Corresponding to professional skills</td>
<td>Family circumstances</td>
<td>Termination</td>
<td>6 x</td>
</tr>
<tr>
<td>LT</td>
<td>Commute &lt;3h</td>
<td>Corresponding to professional skills</td>
<td></td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>LU</td>
<td></td>
<td>Corresponding to education</td>
<td></td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>NL</td>
<td></td>
<td>Child care (if child &lt; 12 y)</td>
<td></td>
<td>100</td>
<td>1</td>
</tr>
<tr>
<td>PL</td>
<td></td>
<td>Termination</td>
<td></td>
<td>100</td>
<td>24</td>
</tr>
<tr>
<td>PT</td>
<td>Commute &lt;25% working time, cost &lt;10% wage</td>
<td>&gt;110% of benefit (first year)</td>
<td></td>
<td>100</td>
<td>1 x</td>
</tr>
<tr>
<td>RO</td>
<td>&lt;50 km</td>
<td>Corresponding to professional skills</td>
<td></td>
<td>100</td>
<td>1</td>
</tr>
<tr>
<td>SI</td>
<td>Commute &lt;3h</td>
<td>1 (after 3m) or 2 levels (after 6 m) lower than previous job</td>
<td>&gt;20h weekly</td>
<td>100</td>
<td>6</td>
</tr>
<tr>
<td>SK</td>
<td></td>
<td>Corresponding to education</td>
<td>&gt;50% of FT</td>
<td>Terminal</td>
<td>6.5</td>
</tr>
</tbody>
</table>

Note: No duration interpreted as until compliant. For the scoring (Table 15) we assumed this to be one month. See note to Table 16 for assumptions regarding locality. m: month, h: hour. Source: CSB-MIPI Version 3/2013 (Van Mechelen et al., 2011).
7.8 Mapping active inclusion in the EU

Figure 29 presents countries’ principal activation strategy (i.e. the strategy to which they have the highest membership score). Some countries have equally high membership scores in multiple strategies.

None of the 19 countries included combine a substantial membership in each of the four aspects of this ideal type. Moreover, most countries do not show any membership whatsoever in the active inclusion type, as they have no adherence to at least one of its four dimensions (which is often adequate income support, see Table 16). Exceptions are Austria, Belgium, Finland, Germany, Luxembourg and the Netherlands. Also the theoretically relevant passive income protection type and the pure enabling strategy are nowhere the dominant activation strategy.

The low membership score of Austria, Belgium, Luxembourg, the Netherlands and Slovenia in the active inclusion type is caused by falling short on only one dimension, that can be (financial or non-financial) incentives, adequacy or services. All five countries pursue enabling labour market policies (as measured by the level of the net minimum wage and the range of available ALMP). Quite some variation exists even within this group. Benefit levels in Belgium and Slovenia are inadequate, in the sense that average benefit levels for minimum income families do not reach 50% of median equivalent household income. Slovenia does not even reach the 40% threshold, although it scores quite high on the other three dimensions (see Table 16). Financial incentives to take up work are limited in Austria, Luxembourg and the Netherlands, yet in the latter two countries this may be compensated by relatively outspoken non-financial incentives, such as a broad reasonable job concept and relatively severe sanctions (cf. Table 17). Finally, although child care for low income families is (quite) affordable in all five countries, in Luxembourg and the Netherlands the range of additional services likely available to MIP recipients is limited.

Some caveats apply. For one, in countries such as Austria, Belgium and the Netherlands, decentralization leaves ample room for local authorities to design specific approaches. Focusing on local practices in one large city may then falsely provide an image of a national active inclusion strategy, as large intra-national variation is possible. Second, the operationalization of the enabling dimension is necessarily crude. The focus on measures specifically for MIP recipients excludes some of the more common ways to assess countries’ commitment to
supportive labour market policies (most in particular ALMP spending per unemployed, or the number of unemployed in ALMP). Similar cross-nationally comparable information on MIP recipients is unavailable. A tentative interpretation of participation rates based on national data points to relatively high ALMP participation rates in the Netherlands (Marchal & Van Mechelen, 2013). In Belgium, participation in federal ALMP is relatively low at 10 per cent but rises substantially when taking local initiatives in Antwerp into account. Similarly, ALMP participation data reported in Leibetseder (2015) qualify the finding that Austria pursues enabling activation policies to some extent.

Also Finland adheres to some extent to the active inclusion ideal. MIP beneficiaries do enjoy a broad range of services and enabling ALMP measures (Table 16). Yet MIP benefits are relatively low and financial incentives are moderate (see Figure 27). Hence, the Finnish MIP scheme’s main affiliation rests with the enabling type, entailing a clear emphasis on supportive measures in approaching MIP recipients.

Often, countries combine incentives with enabling elements (labelled a comprehensive strategy). Yet, countries generally favour one of the two aspects. Especially Italy, Romania and the UK focus more on financial incentives than on enabling policies. France and Poland score relatively high on both dimensions (see Table 16), even though the French membership into the enabling set might be overestimated given low participation rates in the main activation programmes (see Marchal & Van Mechelen, 2013). On the other hand, the Czech Republic does not have an outspoken focus on either aspect. Germany combines a relatively outspoken membership in the enabling set with a moderate adherence to the incentives principle. There is a broad range of ALMP available to MIP recipients and participation rates are not suspiciously low (Marchal & Van Mechelen, 2013). However, our assessment of the quality of jobs at the bottom of the labour market hinges on a proxy of the wage floor (see note to Figure 27).
Figure 29. Classification of countries

Note: depiction based on Hudson and Kühner (2009). Countries in italics have a membership score of exactly 0.5 in multiple configurations. See note to Table 16 for local dimension.

Source: CSB-MIPI Version 3/2013 (Van Mechelen et al., 2011)

Lithuania and Slovakia combine stark financial incentives and behavioural conditions with affordable and broad based services (termed incentives+ in Figure 29). In both countries minimum wages are inadequate; nonetheless the very low MIP benefits still ensure a large financial incentive. Behavioural conditions are equally pronounced. In Lithuania municipalities are free to set workfare practices. In Slovakia, the MIP scheme consists of a very low basic benefit that can be topped up by conditional benefits such as an activation allowance for taking part in activation programmes. Both countries completely exempt relevant target groups from paying child care fees.

Hungary, Bulgaria and Portugal adhere to an incentives focused activation strategy. Also the Czech Republic, Italy, Romania and the UK belong to this type, even though they share this membership with the comprehensive type (cf. supra, see Figure 29). Bulgaria and Romania both expect work services in return for minimum income support from non-active beneficiaries. In
Romania this is institutionalised to large extent. Additional services are largely irrelevant in all of these countries. Also benefits are completely inadequate except in the UK (see Figure 27).

It is clear that the activation discourse is translated into actual policies in nearly all EU countries, through a focus on incentives, on enabling policies or on both. The only exception is Estonia that reaches in none of the identified dimensions a substantial membership score (see Table 16). Even though MIP benefits are fairly high from a cross-national perspective (in fact, the highest among the Eastern European countries) they come nowhere near the 50% threshold we identified as being a reasonable yardstick for adequacy. In combination with a low minimum wage, benefit levels do not ensure a substantial financial incentive to work. Participation rates in ALMP are very low, as pressure to participate is limited and remunerations are tapered in full.

7.9 Conclusion

This paper assessed the potential of the principles outlined in the European Commission’s 2008 Recommendation on the active inclusion of people excluded from the labour market to structure a fine-grained classification of activation strategies in European minimum income schemes. The Recommendation refers to three pillars - adequate income support, inclusive labour markets and services - in order to strengthen individual capacities and end benefit dependency as well as social exclusion. The Commission thus calls upon Member States to employ a broad interpretation of active inclusion and to consider both human capital investment and work incentives as key instruments for social integration. We have argued that this multi-dimensional notion of activation allows for a meaningful categorization of current strategies towards MIP recipients as it reveals how active labour market policies in Europe are embedded in broader welfare policies towards persons on a large distance from the labour market.

We found that in none of the 19 countries included in our analysis activation policies fully correspond to the notion of active inclusion. Nevertheless there are good arguments to say that activation policies in Austria, Belgium, Luxembourg, the Netherlands and Slovenia, and to a lesser extent Germany and Finland, are relatively close to the active inclusion ideal type. The range of active labour market policies towards MIP recipients is relatively broad, and includes training programmes. Net incomes at full-time minimum wage employment tend to be above 50 per cent of median equivalent household income. However, even these countries do not perform well on each and every dimension of active inclusion.
Some caveats apply. Given the decentralized and discretionary nature of both activation and MIP in the EU, our analysis and results hinge on the representativeness of practices in large municipalities. Further attention on how to cope with these issues in cross-national comparative research is in order.

Despite this cautionary note, the findings leave little doubt on three things. First, with the exception of Estonia, all EU Member States have acted on the activation discourse for the specific target group of MIP recipients. Second, behind the realities of activation strategies towards MIP recipients seldom lies the notion of active inclusion as defined by the European Commission. Relatively few countries comply with the recommendation to go beyond a strict active labour market policy and to include broad human capital policies to fight social exclusion. In particular, many countries adopt predominantly negative incentives to increase labour market participation rates, rather than enabling measures. The brunt of Eastern European countries, as well as Italy, Portugal and the UK rely heavily on financial and non-financial incentives such as strong reasonable job definitions or severe sanctions for non-compliance to job availability requirements to encourage employment. Third, there remains considerable cross-country variation on the individual aspects of active inclusion, but especially so concerning the adequacy of benefit levels and the range of services available to MIP recipients.

Assessing the reasons behind the classification represents an interesting avenue for future research. Broadly speaking, the richer, Western European countries score higher on the more supportive active inclusion elements, whereas the Southern and Eastern European countries lean (relatively speaking) more towards incentives or direct employment-oriented support. Budgetary concerns might therefore play a role. Yet there are important exceptions, such as the UK. In addition, a performant controlling and sanctioning administration is costly as well. Factors that therefore should be looked into include the broader institutional context of minimum income provision (e.g. the relative importance of MIP schemes in the broader welfare state design), electoral considerations when introducing more or less stringent activity requirements, the broader macro-economic context such as the unemployment rate and the availability of low-skilled jobs, and the involvement of national policy makers in the formulation of EU level priorities. An equally important research agenda for the future is to link this national classification based on policy guidelines more explicitly with indicators of actual implementation and intra-national variation, and, in the end, more direct performance indicators such as the
outflow out of social assistance. This however requires a substantial and continuous data-gathering effort on the histories of persons on a large distance from the labour market, and of the administrations that cater to them. This extensive research agenda - as well as the observation that current activation strategies are far off the Commission’s concept of active inclusion - illustrates that if the European Commission really considers active inclusion to be a corner stone of the European social model, there remains a lot to be done. For one, solid monitoring instruments are required at the EU level. This should advance decent MIP and quality services on national welfare states’ political agenda as well as promote convergence towards a broad conception of active inclusion across the different EU Member States.
### 7.10 Appendix: alternative calibrations

Table A1 below provides an overview of the impact of a selection of alternative calibrations on countries’ membership scores into each set.

Table A1. Shifts in fuzzy set membership scores in variations on original calibration

<table>
<thead>
<tr>
<th>Main variations on original calibration</th>
<th>Countries that pass cross-over threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adequate income support</strong></td>
<td></td>
</tr>
<tr>
<td>With or without time limits</td>
<td>None</td>
</tr>
<tr>
<td>Average over 5 vs. 4 family types</td>
<td>None</td>
</tr>
<tr>
<td>Alternative thresholds</td>
<td></td>
</tr>
<tr>
<td>- 20 – 40 – 60</td>
<td>↑ BE, CZ, DE, EE, FI, UK</td>
</tr>
<tr>
<td>- Internally driven</td>
<td>↑ BE, CZ, DE, EE, FI, FR, UK</td>
</tr>
<tr>
<td><strong>Enabling</strong></td>
<td></td>
</tr>
<tr>
<td>Alternative range ALMP</td>
<td></td>
</tr>
<tr>
<td>- Taking account of whether or not remuneration is offered</td>
<td>None</td>
</tr>
<tr>
<td>- Taking account of indications of relevance</td>
<td>↓: FR</td>
</tr>
<tr>
<td>Alternative for MW</td>
<td></td>
</tr>
<tr>
<td>- Internally driven threshold</td>
<td>↓: SI</td>
</tr>
<tr>
<td>- Average over 5 family types</td>
<td>None</td>
</tr>
<tr>
<td>Solely minimum wage</td>
<td>None</td>
</tr>
<tr>
<td>Solely range of ALMP</td>
<td>↑: BG, EE, HU, LT, PT, SK</td>
</tr>
<tr>
<td><strong>Incentives</strong></td>
<td></td>
</tr>
<tr>
<td>Excluding workfare</td>
<td>↓: LT</td>
</tr>
<tr>
<td>Solely financial incentives</td>
<td>↓: LT, LU, NL</td>
</tr>
<tr>
<td>Alternative financial incentives</td>
<td></td>
</tr>
<tr>
<td>- Incentives for a single</td>
<td>↑: FI</td>
</tr>
<tr>
<td>- Internally driven thresholds</td>
<td>↓: CZ, DE</td>
</tr>
<tr>
<td>Solely conditionality</td>
<td>↓: CZ, DE, FR, PT, SI, SK</td>
</tr>
<tr>
<td>Based on conditionality index (alternative assessment of sanctions and reasonable job)</td>
<td>None</td>
</tr>
</tbody>
</table>
Table A1. Shifts in fuzzy set membership scores in variations on original calibration – ctd.

<table>
<thead>
<tr>
<th>Main variations on original calibration</th>
<th>Countries that pass cross-over threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td></td>
</tr>
<tr>
<td>Solely child care costs</td>
<td>↑: BG, EE, HU, IT, LU, NL</td>
</tr>
<tr>
<td>Solely services</td>
<td>↑: PL</td>
</tr>
<tr>
<td>Internally driven thresholds for child care costs</td>
<td>None</td>
</tr>
<tr>
<td>Alternative calibration of services</td>
<td></td>
</tr>
<tr>
<td>- Rescale with empirical maximum</td>
<td>↑: IT</td>
</tr>
<tr>
<td>- More weight to examples in recommendation</td>
<td>↑: IT</td>
</tr>
</tbody>
</table>

Note: in addition AT, BG, CZ, FR, HU, IT, LU, NL, RO and the UK shift to or from the cross-over threshold in one or more variations.

We performed 19 additional fsITAs using a selection of these alternative calibrations to gauge the robustness of our empirical classification to the choices made in the calibration process. A detailed discussion of the impact of these alternative calibrations on the classification presented in Figure 3 is given in Marchal and Van Mechelen (2014). The main points are summarized below.

The observation that the active inclusion and the passive income protection types are nowhere the principal activation strategy is consistent. Also, the classification of Finland (enabling+) and of the active inclusion countries (especially Austria and Belgium) is fairly robust.

Most of the comprehensive countries shift in multiple variations their main membership to the incentives type. Exceptions are Poland that is consistently classified as comprehensive, and the Czech Republic, that may shift main membership to the enabling type. France and Hungary appear to be the countries that are most difficult to classify.
PART IV. BALANCING MINIMUM INCOME PROTECTION
Chapter 8: Adequate minimum incomes: an EU perspective


Abstract

EU social policy has generally been limited to the definition of non-binding social outcome targets, a governance model known as ‘second order output governance’. However, many EU Member States have failed to make progress in fighting poverty. This begs the question of whether a more performant EU-level involvement in the field of social policy is conceivable. In this paper, we argue that European minimum standards are the place to start, including principles for minimum social security and minimum wages, as i) the European social objectives cannot be attained without guaranteeing adequate incomes to those in and out of work, and ii) social co-ordination should thus go beyond broad outcome goals such as the reduction of the number of households at risk of poverty or social exclusion. We propose to include policy indicators regarding minimum income protection in the recently revised EU monitoring process of the European Semester. We present such policy indicators to represent the current variation in minimum standards across EU Member States, and track trends over time. Exploratory correlations with social outcomes show however only limited instrumental relevance.
8.1 Introduction

Ever since the Lisbon Strategy, the European Union (EU) has declared poverty reduction one of its main social goals. This was reaffirmed by the ambitious EU2020 target aiming for a reduction of the number of persons living in poverty, jobless households or material deprivation by 20 million. Yet despite this ambition progress has been disappointing to say the least (Gábos, Branyiczki, Lange, & Tóth, 2015). Whereas the situation has worsened considerably after the onset of the crisis, it is mainly the lack of progress in the pre-crisis years that indicates the existence of structural constraints against which the EU social governance was even then powerless (Cantillon, Collado, et al., 2015b; Cantillon & Vandenbroucke, 2014). At that time in many countries work poor households benefited less from job growth while the poverty reducing capacity of social protection decreased to their detriment (Cantillon, Van Mechelen, Pintelon, & Van den Heede, 2014; Corluy & Vandenbroucke, 2014). The increasing inadequacy of minimum income protection is a case in point. Various authors have demonstrated that social assistance levels eroded in a substantial number of countries over the past decades, a development that was particularly outspoken in the 1990s (Nelson, 2008; Van Mechelen & Marchal, 2013). As a consequence, today, even in the most generous settings minimum income protection for jobless households falls short of the at-risk-of-poverty thresholds, in particular for families with children. Moreover, although with important variations, in several EU member states the wage floor too has become increasingly inadequate for working age families (Cantillon, Collado, et al., 2015a).

In this paper, we ask what role the EU can play in facilitating progress towards the EU2020 targets and which instruments might be put in place. We argue that a broad approach to minimum incomes, including minimum standards in social assistance and minimum wages, is the place to start. To that end, a set of well-thought-out policy indicators should contribute to a better monitoring of minimum income policies (in a broad sense) in the member states both in the social Open Method of Coordination (OMC) and in the European Semester, in line with previous EU policy initiatives. Using a comprehensive database of gross and net minimum wages, in-work-benefits and employment incentives for low-productive workers, we show country-specific policy mixes and point to imbalances, policy failures and successes.

The outline of this article is as follows. In the next section, we outline the social policy governance issues the EU is confronted with when putting social objectives on the policy agenda.
We proceed by presenting minimum income protection as a policy area where increased EU social governance is both conceivable and needed. In the following section, we propose to include selected minimum income protection policy indicators in the social governance framework of the EU, in order to render the different policy choices explicit, and to enable a more transparent monitoring of policy effort towards adequate minimum income protection. We then discuss the data and method on which the proposed indicators build. Next, we use these indicators to capture the current variation in levels of minimum incomes relating them to minimum wages, gross-to-net efforts and unemployment traps. Finally, we conclude.

8.2 Social subsidiarity and weak ‘outcome’ governance

In creating the European Economic Community, the Treaty of Rome explicitly left social policy to the national level. The EU was aimed at economic integration, creating an internal market and reinforcing mobility (International Labour Organization, 1956). The logic was that the EU would create a common market, which would foster comparative advantages and thereby create a profitable division of labour based on heterogeneity. Trade unions would preserve a natural link between wages and productivity to keep social security differences out of competitiveness issues. Social policy within the EU is therefore structured around the principle of subsidiarity. EU level involvement has remained limited to soft governance initiatives, such as the formulation of non-binding policy targets (the EU2020 social targets) and the monitoring of Member States’ progress towards these targets in the OMC and more recently in the revised European Semester.

An ex post evaluation suggests that despite the absence of a supra-national social policy, in the post-war period the old EU Member States have succeeded in developing strong welfare state architectures. Yet since the 1970s things have changed thoroughly in crucial areas. In the past, the then European welfare states sailed on the tides of economic growth, strong productivity growth and equivalent increases of wages. They were pushed forward by strong trade unions and by ‘the sympathy of the (then) European governments for social aspirations’ (International Labour Organization, 1956, pp. 86-87). The internal diversity of the Union was much more homogenous while labour markets remained largely confined within national borders. Today these conditions are no longer met. As a consequence, the logic of the internal market increasingly clashes with the principle of social subsidiarity. The increased economic and financial integration has led to stricter standards (and sanctions) for fiscal discipline which - in
combination with the increased monitoring throughout the European Semester - seriously inhibit the national room to manoeuvre (Costamagna, 2013).

Moreover, creeping economic integration and enormous disparity after the 2004 enlargement have given rise to fears of welfare tourism and social dumping within the EU. Famous cases such as Rüffert, Laval and Viking illustrate how the European Court of Justice (ECJ) challenges nationally based social regulation (Ferrera, 2012, p. 22; Leibfried, 2010). These cases, combined with the 2004 enlargement, have only fostered such fears, as exemplified by recent proposals to limit exportability of benefits and limit access to employment related benefits (Cameron, 2013). Even recent ECJ decisions reflect fears of benefit tourism (Verschueren, 2015). Yet such proposals and rulings that aim to prevent benefit tourism may in turn endanger the universality of free mobility.

Clearly, these developments are testing the limits of social subsidiarity while common pressures caused by globalization and technological changes preclude the idea that national achievements can be protected by building ‘firewalls’ around welfare states. Hence, a soul-searching exercise on what role the EU should play in facilitating further social development is necessary. As its Member States are so heterogeneous and due to the lack of democratic capacity at the EU-level to organize the struggle over scarce resources, it would be impossible to think of a social Europe as a supranational welfare state. Rather, the Union should ‘support national welfare states on a systemic level … and guide the substantive development of national welfare states – via general social standards and objectives, leaving ways and means of social policy to member states’ (Vandenbroucke & Vanhercke, 2014, p. 86).

8.3 A broad focus on minimum incomes

Minimum incomes refer to the income floor that is in principle guaranteed to all citizens. For a working age person out of work, this is often the general social assistance benefit (although there are exceptions, see Van Mechelen & Marchal, 2013). For those in work, most EU Member States have legislated minimum wages which in many cases are increased by in-work and family related benefits (Marx et al., 2013). Please note that we focus in this chapter on minimum income protection for the active age population, as it is precisely for this group that poverty trends were most disappointing. In addition, it is for this target group that the employment – protection trilemma comes to the fore most explicitly.
For a number of reasons, a broad focus on minimum income protection is the place to start.

First, we now know that the social investment strategies and employment policies that were favoured over the last decades (and culminating in the social investment package; European Commission, 2013b, 2014) did not (yet?) help to deliver on lower poverty rates (Cantillon & Vandenbroucke, 2014). Adequate minimum income protection therefore remains necessary, for out-of-work but also for in-work households, given the attention to activation. Second, minimum income protection for out-of-work and in-work households have important benchmark functions, as they signal relevant thresholds in the hierarchy of incomes within individual member states (Cantillon, Collado and Van Mechelen, 2015).

Moreover, various EU-level policy initiatives already focus on minimum income protection in this broad sense.\(^{48}\) This is most clearly apparent in the 2008 Active Inclusion Recommendation (2008/867/EC (European Commission, 2008a)), that reinforced the 1992 Council recommendation on adequate minimum income protection (92/441/EEC (Council, 1992)) with a more focused message on active inclusion by ‘combining adequate income support, inclusive labour markets and access to quality services’ (2008/867/EC).\(^{49}\) The Commission hence explicitly linked minimum income protection for those out of work to their chances and prospective income on the labour market (European Commission, 2008a; Marchal & Van Mechelen, 2017). However, this recommendation does not go beyond very broad and non-binding general objectives and policy suggestions, and until today, it remains with only very limited impact (European Commission, 2013a; Frazer & Marlier, 2013; Marchal & Van Mechelen, 2017).

In this paper we argue that, in the spirit of the 2008 Recommendation, a thorough assessment of minimum income protection necessitates a synthetic view on the income floors for those out- as well as in-work, i.e. including social assistance and minimum wages. Admittedly, poverty reduction is often not considered as the main justification for minimum wages. The impact of minimum wages on poverty is indeed rather limited since many minimum wage earners can rely


\(^{49}\) This Recommendation was eventually affirmed by the European Parliament (resolution of 6/5/2009).
on other household incomes (Eurofound, 2013; Nolan & Marx, 2009). Yet, minimum wages are at least indirectly important for two reasons: first, because they may relate as a ‘glass ceiling’ to minimum benefits for jobless households and, second, because they have an impact on unemployment traps of low-skilled seeking a job (Cantillon, Collado, et al., 2015b). Policy makers’ common sense indeed dictates to maintain a reasonable wedge between minimum income benefits and low wages. Either policy makers should ensure that wages are sufficiently high at the bottom of the distribution in order to enable adequate out-of-work benefits, and/or they should boost net take home pay from low-paying jobs, and/or they must accept relatively low work incentives conditional on stringent activity requirements and strong active labour market policies.\(^{50}\)

### 8.4 Adding ‘input indicators’ to the outcome governance

Common standards for minimum income protection (such as the proposals and recommendations listed in the previous section) deviate to varying extent from current EU social policy governance: the Lisbon strategy, the related OMC Social inclusion and the social targets within Europe 2020 are based on (non-binding) outcome targets that leave it to the Member States to outline policy strategies. Important in the present context is the agreement on the setting of a European poverty line at 60% of median equivalent income in any given country. Various other indicators build on this notion, including those relating to poverty risks in jobless households, and the depth and duration of poverty risks. These income indicators are prominently present within the portfolio of indicators. In addition to the original outcome indicators, designed to measure progress towards the common objectives, a number of policy indicators were introduced. For the purpose of the OMC Social Protection, replacement rates for pensions were included, as was an indicator of the adequacy of social assistance benefits (by comparing them to the relative poverty line), albeit merely as a contextual variable, not as an indicator for policy evaluation.

Vandenbroucke et al. (2013) distinguish in this regard between input and output, and first-order and second-order governance. Second-order governance merely seeks to influence existing policy structures and objectives, whereas first-order governance aims to replace or adjust existing policy strategies more directly. Both governance modes may target policy outputs (in casu social

\(^{50}\) These are the options from a concern with work incentives and legitimacy. Bringing budgetary concerns into focus evidently further complicates the matter.
outcomes) or input (policy instruments). Hence, the current OMC Social Inclusion can be firmly categorized as second-order output governance whereas the proposals concerning common standards for minimum income protection vary from (non-binding) first- to second-order input governance. Binding input governance in the field of minimum income protection is according to Vandenbroucke et al. at this stage in the EU convergence process improbable, for a variety of reasons. In particular, an EU-level guideline would require different redistributive efforts in and across Member States and have a varying impact on dependency traps, putting disproportionate stress on poorer countries.

Therefore, in this paper we take a step back. Is it possible to square the obvious importance of minimum income protection and the need for a more social Europe with the enormous international variation and European social subsidiarity, and if so, how?

In the wake of the budgetary Eurozone crisis, the EU has increased the policy monitoring of its Member States through the European Semester. Whereas the focus was initially on macro-economic indicators, more recently, the monitoring includes the progress towards the Europe 2020 outcome targets, including the poverty reduction target (Zeitlin & Vanhercke, 2014). Obvious examples are the inclusion of auxiliary social outcome indicators in the macro-economic imbalance procedure, and the separate development of the Social Scoreboard. This Scoreboard monitors progress on five social outcome indicators, including the unemployment level and the real disposable household income. These recent advances open up an opportunity and a necessity to include input indicators in the monitoring process, thereby allowing for a first step along the continuum of non-binding second-order output governance towards input governance.

This is even more the case as some of the country-specific recommendations the Commission voices in the process of the European Semester already point to particular policy tools, such as the level of the minimum wage and the organization of minimum income protection (e.g. Council, 2015a; Council, 2015b). However, systematically basing these country-specific recommendations on uniform indicators assessed through a clear analytical grid will render them more forceful as well as more coherent.

Including carefully selected input indicators in the streamlined EU policy monitoring process, on top of the currently used outcome indicators, has a number of advantages. For one, the EU and the Member States would be rendered accountable for the social quality of economic policies and
anti-poverty strategies by conceptualizing these strategies as a means of realizing the fundamental social rights of citizens (Vandenbroucke et al., 2014). Secondly, adding policy indicators pertaining to minimum income packages to the Social Scoreboard will be helpful to link outcome indicators to policies. A well thought-out selection of indicators can bring out different policy mixes, available options and potential imbalances. Without interfering with national authority and policy structures, such contextualized indicators can indicate imbalances in the nexus of minimum wages, work incentives and minimum incomes for jobless households. This leaves room for subsidiarity, monitoring and mutual learning, starting from a broad view of the overall quality of social policy. The aim should be to support the Member States to find adequate country-specific economic and social balances.

8.5 Data

We choose to propose policy indicators that measure policy input solely, not confounded by demographic or other variables. This requirement excludes commonly used spending indicators. The indicators should solely inform on the policy design and policy choices regarding the balance of minimum income protection for different target groups, in casu working and non-working households. Moreover, in line with Atkinson et al. (2002) they should be timely and susceptible to revision, capture the essence of the problem and have a clear normative interpretation. They should be statistically validated, responsive to policy changes and comparable to European standards. They furthermore should gauge the interrelations and incentive effects at the bottom of the labour market. This can be achieved by indicators based on standard simulations of net disposable income packages. Standard simulations are calculations of income packages for a hypothetical family, solely based on the applicable tax benefit rules and the definition of the family type. By keeping the definition of the family type constant across countries and over time, shifts in the income package (and its components) are solely based on differences or shifts in policy. Results are easily comparable across countries, and intuitively understandable. Data requirements are limited, allowing for a timely release of the indicators. Moreover, a longstanding academic and institutional interest in the gathering and refining of standard simulations on minimum income protection guarantees valid indicators (Bradshaw & Finch, 2002; Cantillon et al., 2004; Eardley et al., 1996b; Gough et al., 1996; Immervoll, 2009; Nelson, 2008; Van Mechelen et al., 2011).
It is important to note that due to our focus on standard simulations, we limit ourselves to a focus on income only. Admittedly, this gives only a partial picture: the adequacy of minimum income schemes is defined not solely by the level of household income it guarantees, but also by the definition of the eligible persons, residential duration requirements, and means-tests on the one hand and additional cost compensations and in kind benefits for low income families on the other. Strict means-tests, work conditions, severe residential requirements, stigma… may limit access in a prohibitive way. This limitation of the indicators should be borne in mind. A more specific drawback of standard simulations is the heavy reliance on the definition of the hypothetical household. The underlying assumptions may substantially impact on the results inter alia because of the large variation of family formation across the Union. The hypothetical household should therefore be carefully selected and contextualized.

For our purposes, we define the hypothetical household as a lone parent household with two children, in a minimum income situation. We focus on a lone parent type case, as this is a case where policy choices are straightforward. Indeed, a comparison of policy choices regarding minimum income protection for couples might be marred by international differences in views regarding non-working spouses in breadwinner couples. In addition, lone parent households are generally at a higher risk of poverty (see Vandenbroucke & Vinck, 2013), despite policy attention and efforts in recent years (Marchal & Marx, 2015). We assume this lone parent household to have no savings or social insurance entitlements. In the out-of-work case, the household has no income, and therefore fully relies on the applicable minimum income protection scheme, and other income components insofar the household is eligible to them, such as child benefits or housing allowances. We exclude discretionary income supplements. In the corresponding in-work case, we assume the lone parent to be full time employed at the statutory minimum wage, or an equivalent proxy of the wage floor. The number of hours worked in full-time employment is in line with national regulations, or in the absence of those, with common practice according to consultations with a national expert. As is the case for the out-of-work case, we take account of

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51 Studies that cross-nationally assess these limitations specifically for minimum income protection are rare (but see for instance Bargain et al. (2012), Immervoll, Marianna, and Mira d'Ercole (2004) and Eurofound (2015) on coverage and non-take-up, Marchal and Van Mechelen (2017) on activity requirements and De Wilde (2015) on the discretion of case workers).

52 It goes without saying that full-time employment may be very difficult for a lone parent to combine with care responsibilities. Moreover, the standard simulations do not take account of potential child care costs.
all applicable non-discretionary tax benefit regulation when calculating this family type’s net disposable income package.

The two indicators show the adequacy of the final net income floor for lone parent households out-of-work and in full-time employment. Yet to capture the balance and policy choices regarding minimum income protection we furthermore include three additional indicators: the financial incentives to work (defined as the income difference between full time minimum wage employment and net social assistance income), the gross minimum wage and the gross-to-net welfare effort (calculated as the difference between the minimum wage and the final disposable income), all expressed relative to the EU at-risk-of-poverty threshold. We consider this measure a relevant benchmark to assess the adequacy of minimum income protection, in light of the EU2020 targets. The values for these poverty thresholds are obtained from Eurostat (2015). The values are either based on the EU-SILC (for 2009 and 2012), or on the ECHP survey (for 2001). This may potentially lead to comparability issues53.

The simulated income packages are extracted from CSB MIPI, a data set on minimum income protection hosted by the Herman Deleeck Centre for Social Policy at the University of Antwerp, as this dataset specifically comprises information on minimum wages. Nonetheless, similar indicators can be construed based on the OECD Benefits and Wages data54 and in the near future by the EUROMOD HHOT tool. We include all EU Member States on January 2012, bar Cyprus, Malta, Sweden and Latvia. The lone parent type case in CSB MIPI concerns a 35-year old divorced lone parent, with 2 children aged 7 and 14. When no statutory minimum wage exists, simulations are based on a proxy of the wage floor. For Austria, Finland, Denmark and Italy, we use the sectoral minimum wage in a low-paid sector. In Austria, this minimum wage has (near-) national coverage (European Commission, 2010b). For Germany, the standard simulations are based on an hourly minimum wage of €7.5, which is somewhat lower than the recently (2015)

53 These comparability issues may arise over time, due to the shift in underlying survey, but also for countries where the EU-SILC income data are based on administrative data rather than survey data.

54 A robustness check of our findings to the OECD Benefits and Wages data can be found in Cantillon, Marchal, and Luigjes (2015).
introduced national minimum wage.\textsuperscript{55} For the other countries, the values presented in this paper should be interpreted as they are, i.e. as an approximation of the wage floor that allows us to some extent to assess the balance between in-work and out-work income protection throughout Europe. Also, in some countries, minimum income protection generosity is a regional or local responsibility. In those cases the simulations are based on legislation in a particular region or municipality. This neglects the large variation in out of work minimum income protection in Italy (Milan) and Spain (Catalonia). Variation is somewhat less pronounced in Austria (Vienna). Especially in the case of Italy and Spain, this approach substantially overestimates the generosity of minimum income protection\textsuperscript{56} (see Van Mechelen et al., 2011 for more information on the underlying assumptions of the standard simulations).

\textbf{8.6 Minimum incomes in Europe: large variation in policy mixes}

We measure the adequacy of minimum income protection by comparing the rights-based net income packages of the hypothetical household to the EU at-risk of poverty threshold. In most cases this comparison shows a substantial inadequacy of net income packages for jobless lone parents. However, differences between EU Member States are enormous, ranging from less than 40\% of the poverty line in Romania to adequate levels in Denmark and Ireland. Roughly speaking, net income packages are relatively more generous - though still inadequate - in the richer Member States than in the poorer ones.

More countries shift to adequate (or near adequate) income protection in the case of full-time work at minimum wage. However, the number of countries where full-time employment at minimum wage level does not guarantee an income above the poverty threshold remains substantial.

The inadequacy of net in-work income is not surprising given gross minimum wage levels. As a general rule, gross minimum wages do not suffice to protect lone parents with two children against income poverty. However there is a quite large variation in relative values across countries, ranging from a low 46\% of the poverty line in the Czech Republic to a high of 84\% in

\textsuperscript{55} This value was selected as it was frequently proposed in the public debate regarding the introduction of a minimum wage at the time the data were collected, in 2012. In the end, the German government introduced a statutory hourly minimum wage of €8.5 in 2015.

\textsuperscript{56} We take this caveat into account when interpreting our results.
Romania and 108% in Greece. Importantly, and in contrast to net social assistance levels, the adequacy of the gross minimum wage does not seem to relate to Member States’ economic prosperity.

Most countries provide substantial direct additional income support to lone parent families that rely on a full-time minimum wage (the grey bars in Figure 30). The value of these benefits generally surpasses any taxes or contributions. Again, the variation across countries is enormous. Gross-to-net efforts range from a negative 15% of the poverty line in Greece to 54% in the Czech Republic and 50% in the UK. However, despite these gross-to-net efforts disposable incomes at a full-time minimum wage only protect against poverty in a limited number of countries (see Panel A and B of Figure 30).

Finally, and not unimportantly, there also is a large variation in the wedge between net income at minimum wage and the net social assistance benefit: some countries accept very limited financial work incentives (e.g. Denmark, Austria) while in others the financial gains are exceptionally high. In Romania and Poland the difference between minimum incomes for jobless households (social assistance) and net income at minimum wage is larger than 50% of the poverty line. Other countries have installed financial incentives in a broad range of 10 to 30% of the poverty threshold.

Table 18 shows the correlations between these five different institutional indicators. As we assess the relations between these indicators for a fairly small group of countries, these correlations can merely act as an indication for possible patterns or trade-offs. In such a small group of countries, outlying countries can have a very large impact. Moreover, even though we report significance levels in Table 18, these can only serve to further suggest the strength of the reported correlations (see Van Lancker, Ghysels & Cantillon, 2015). In order to increase our confidence in the relations reported in Table 18, we checked the correlations for different subgroups (more in

57 The reference date for the Greek minimum wage standard simulation is February 2012, rather than January, in order to include the stark reduction of the gross minimum wage that was then implemented. In addition, the simulations take account of an atypical experience-related top-up. Nonetheless, also taking account of i) this inclusion of the legally-backed increase of the minimum wage for employees with 6 years of experience in our data, and ii) the fall of the median equivalent household income in the wake of the crisis, the Greek gross minimum wage remains one of the highest within the EU, though less exceptionally so.
particular, excluding the Southern European countries, Romania and Bulgaria, and Ireland and the UK) and for the indicators based on a different data source (i.e. the OECD Benefits and Wages data).

Table 18. Correlations between the proposed indicators, all expressed as % of the poverty threshold, 2012

<table>
<thead>
<tr>
<th></th>
<th>Net social assistance(^a)</th>
<th>Net minimum wage (^b)</th>
<th>Minimum wage</th>
<th>Gross-to-net effort</th>
<th>Financial incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net social assistance(^a)</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net minimum wage (^b)</td>
<td>0.5478*</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum wage</td>
<td>-0.2513</td>
<td>0.3786</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross-to-net effort</td>
<td>0.5640*</td>
<td>0.6742*</td>
<td>-0.3541</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Financial incentive</td>
<td>-0.7323*</td>
<td>0.1685</td>
<td>0.6043*</td>
<td>-0.1157</td>
<td>1</td>
</tr>
</tbody>
</table>

Notes: \(^a\) Net disposable household income at social assistance; \(^b\) Net disposable household income at full-time minimum wage employment. Correlations in italics appear to be relatively robust when taking account of influential cases and data variations.

Source: CSB MIPI Version 3/2013 (Van Mechelen et al., 2011); own calculations

Taking account of these robustness checks, there seems to be ground for the following conclusions:

- Adequate minimum in-work incomes and adequate minimum out-work incomes tend to co-exist;
- There is a negative relation between the adequacy of the net income floor for those out-of-work and the financial incentives this target group experiences to actually take up work
- There is a strong and positive relation between gross-to-net effort and the adequacy of the minimum income for those in-work, and to a smaller extent also to those out-work.
- The relation between gross minimum wage and effort is not robust, nor is the relation between net minimum wage and financial incentives and between minimum wage and financial incentive.
Figure 30: Balance of minimum income protection packages, relative to at-risk-of-poverty threshold, lone parent with 2 children, 2012

Panel A. High road: Adequate minimum income protection packages in- and out-of-work

Panel B. Middle road: adequate minimum income package for a working lone parent family, inadequate out-of-work protection
Figure 30. Balance of minimum income protection packages, relative to at-risk-of-poverty threshold, lone parent with 2 children, 2012 – ctd.

Panel C. Low road: inadequate minimum income packages, both out and in work

Panel D. Low road: inadequate minimum income packages, both out and in work

Notes: Countries are ranked according to the level of the net income at social assistance. Social assistance in ES and IT is based on legislation in Catalonia and Milan respectively. No social assistance in EL. In DK, DE, FI, AT and IT no statutory minimum wage existed in 2012. Standard simulations are based on a proxy of the wage floor. Data for EL and BG include experience related top-ups. Incentives: income gain when moving from social assistance to full time minimum wage employment.

Source: CSB MIPI Version 3/2013 (Van Mechelen et al., 2011); poverty thresholds from Eurostat (2014)
In Figure 30, we bring these indicators together. Countries are divided in three groups, based on the adequacy of their income floors using the poverty threshold as a benchmark. In “high road countries”, only including Ireland and Denmark, the packages for both in- and out-work lone parent households are adequate. In “middle road countries”, the guaranteed income package of a working lone parent family exceeds the poverty threshold, but for jobless lone parent families it is inadequate. This was in 2012 the case in six countries: the UK, the Czech Republic, Poland, the Netherlands, Germany and Finland. Finally, in the large number of “low road countries”, both in-work and out-work income protection is inadequate.

Within these groups we can distinguish different stylized trajectories (with many shades of grey in between). Some low road countries such as Belgium and Slovenia start from moderate to high minimum wages. However, due to low or modest gross-to-net efforts, inadequate incomes for working households are combined with low work incentives and an inadequate social floor. In contrast, in countries starting from a low minimum wage such as Estonia and Luxembourg, a high gross-to-net effort does not succeed in bringing net in-work minimum income above the poverty thresholds. The inadequacy of net social assistance benefits remains however relatively modest, in light of very low financial incentives. In yet a third group of countries (e.g. Greece, Italy and Romania) high gross minimum wages are combined with low efforts, inadequate incomes for working families, high work incentives and no or a very low social floor.

Although optimal policy mixes for lone parent households cannot not readily be defined - they should take into account such things as the large variation in activation policies (Marchal & Van Mechelen, 2017), the share of low paid work, additional cost compensations, budget constraints and other context variables - the presented combined indicators are useful to indicate possible social imbalances. The cross-national comparison of the country-specific relations between the adequacy of minimum incomes, work incentives, minimum wages and gross-to-net efforts suggest that in order to make minimum incomes more adequate:

a) some countries could consider an increase of the ‘gross-to-net’ effort (e.g. Belgium);

b) others might rebalance gross minimum wage, minimum income protection and financial work incentives (e.g. Romania and Poland);

c) yet in another set of countries there might be room for increasing minimum wages (e.g. Luxemburg).
For many countries however, raising the net income for those out of work will require an equivalent increase of the net income for those in work, either through a relative increase of gross minimum wages or through bigger gross-to-net efforts.

8.7 Trends

How did social floors evolve over the past decades? Table 19 and Table 20 show changes respectively for the 1990s and 2000s. In order to ensure comparability over time, there are some differences with the indicators presented in the former section while some countries are excluded because they lacked a statutory minimum wage (or a proxy for the wage floor) at the beginning of the time period considered.

In the nineties in five out of the nine countries included we observe a deterioration of the adequacy of the minimum social floor for jobless households\(^{58}\). Also minimum wages (or proxies for the wage floor) eroded in the majority of countries relative to the median household income. At the same time, gross-to-net efforts increased. The combination of these trends led to unchanged or increasing financial incentives in most countries.\(^{59}\)

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\(^{58}\) Increases were observed only in Vienna, France, Milan and Portugal.

\(^{59}\) Exceptions are limited to countries with non-representative regional or local minimum income schemes (Spain and Italy), and Portugal, which introduced a minimum income scheme in 1996.

<table>
<thead>
<tr>
<th>Country</th>
<th>Net disposable income at social assistance</th>
<th>Net disposable income at minimum wage</th>
<th>Minimum wage</th>
<th>Effort</th>
<th>Financial incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>NL</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>ES</td>
<td>-</td>
<td>-</td>
<td>=</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>DE*</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>LU</td>
<td>-</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>BE</td>
<td>-</td>
<td>+</td>
<td>-</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>IT*</td>
<td>+</td>
<td>-</td>
<td>+</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>EL</td>
<td>=</td>
<td>-</td>
<td>=</td>
<td>=</td>
<td></td>
</tr>
<tr>
<td>PT</td>
<td>+</td>
<td>+</td>
<td>-</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>FR</td>
<td>+</td>
<td>+</td>
<td>=</td>
<td>=</td>
<td>+</td>
</tr>
<tr>
<td>AT*</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>=</td>
</tr>
</tbody>
</table>

Notes: more than one percentage point change upwards or downwards on the indicator over the period. Countries are grouped by decrease/increase net social assistance and decrease/increase net disposable income at minimum wage; and within those groups ranked by trends gross minimum wage. DE, AT, IT: proxy for the wage floor or a low wage. PT: no out-of-work minimum income scheme in 1992. IT and EL: no national minimum income scheme, local scheme of the city of Milan for IT. Living standards in 1992 proxied by 1994 poverty thresholds, adjusted for inflation.


In the 2000s the picture is more diffuse. In a majority of countries net disposable income at minimum wage increased while in half of the countries social assistance too became more adequate. However, in a sizable number of Member States, including countries where the social floor was low to start with, minimum incomes decreased compared to the poverty threshold. This means that financial incentives in general became stronger, both in countries where they were absent or low for this family type to start with, as well as in countries where they initially were quite substantial. Arguably, this reflects a common focus on employment related welfare reforms.
Table 20. Changes in indicators relative to trends in living standards, 2001-2009/2012 (most recent available)

<table>
<thead>
<tr>
<th>Country</th>
<th>Net disposable income at social assistance</th>
<th>Net disposable income at minimum wage</th>
<th>Minimum wage</th>
<th>Effort</th>
<th>Financial incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT*</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>FR</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>CZ</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>FI*</td>
<td>-</td>
<td>=</td>
<td>-</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>EE</td>
<td>-</td>
<td>+</td>
<td>-</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>PL</td>
<td>-</td>
<td>+</td>
<td>-</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>SE*</td>
<td>-</td>
<td>+</td>
<td>-</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>LT</td>
<td>=</td>
<td>+</td>
<td>-</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>BE</td>
<td>+</td>
<td>=</td>
<td>-</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>PT</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>ES</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>-</td>
<td>-</td>
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<tr>
<td>LU</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
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<tr>
<td>UK</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>=</td>
<td>+</td>
</tr>
<tr>
<td>SI</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>HU</td>
<td>+</td>
<td>+</td>
<td>-</td>
<td>=</td>
<td></td>
</tr>
</tbody>
</table>

Notes: more than one percentage point change upwards or downwards on the indicator over the period. Countries are grouped by decrease/increase of net social assistance and decrease/increase of net disposable income at minimum wage; and within those groups ranked by trends gross minimum wage. IT, FI, SE: proxies for the wage floor or a low wage.

Source: CSB MIPI Version 3/2013 (Van Mechelen et al., 2011); poverty thresholds from Eurostat (2015)

8.8 Discussion: instrumental relevance of minimum income protection

In this paper, we argue that policy input indicators may act as a first step towards a more performant EU social policy. Monitoring – through easily interpretable and readily available policy input indicators – may help to highlight individual member states’ policy choices and stance on minimum income protection. In addition, they carry substantial intrinsic value, in the sense that the decision to include indicators of the adequacy of minimum income protection (as measured against the at-risk-of-poverty threshold) makes the EU stance on social cohesion explicit in a very concrete and visible way. However, an equally important (longer term)
objective of incorporating policy input indicators in EU social policy monitoring is their expected contribution to an EU-wide convergence of social outcomes. Specifically for the case of minimum income protection, an EU level effort of monitoring the adequacy of minimum income protection for those in- and out-work should also be assessed in light of the instrumental relevance of adequate minimum incomes in achieving the poverty targets defined by the Union.

Whereas the expectation of a negative relation between adequate social assistance receipt and poverty status makes intuitive sense at the individual level, whether this holds true on the country (macro) level is less straightforward. Vandenbroucke et al. (2013) note in this regard that “the link between input and outcome is complex in this domain” (p. 290). For one, as demonstrated in this paper, most countries do not guarantee a minimum income floor above the 60% at-risk-of-poverty threshold. In this sense, it might make more sense to expect a relation with the depth of poverty, or severe poverty (for instance at the 40% at-risk-of-poverty threshold). Also, as we mentioned earlier in the data section, the focus on income of our indicators neglects equally relevant issues, related to non-take-up and eligibility. In addition, minimum income protection is a truly residual scheme that only comes into action after all other social rights are exhausted. The overall generosity of these more general social rights may be more relevant in this regard. Finally, poverty measurement is fraught with issues, additionally impacting on macro-level relations.

Vandenbroucke et al. (2013) assess the relation between an overall measure of the adequacy of minimum income protection (more precisely, the average net social assistance benefit for five different family types) with various poverty indicators: the poverty headcount at the 60% and the 40% at-risk-of-poverty threshold, the poverty reduction by transfers at both poverty threshold, the poverty rate for households at low and high work intensity, and the poverty gap at the 60% poverty threshold. They do find negative correlations between most (if not all) of these poverty indicators and their measure of social assistance adequacy, especially for the old EU Member States.

Here, we explore the instrumental relevance of the indicators of adequate minimum income protection presented in this paper in a similar way. However, we focus on the relation with outcome indicators for the specific target group of working age lone parents.
Table 21 presents the correlations for all countries together, for the different institutional indicators. Some reservations apply: the correlations are based on a small group of cases that in no way can be considered a representative sample of all countries. Moreover, we do not control for other country characteristics. Hence these correlations can only serve to illustrate potential and tentative relations, and can in no way be interpreted as causal mechanisms.

Table 21. Exploration of the instrumental relevance of adequate minimum income protection for lone parent households, 2012

<table>
<thead>
<tr>
<th>Employment</th>
<th>Poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of people living in a jobless lone parent household, out of all people living in a lone parent household</td>
<td>At-risk-of-poverty rate of people living in working age lone parent households (40% AROP)</td>
</tr>
<tr>
<td>Net social assistance</td>
<td>0.1347</td>
</tr>
<tr>
<td>Net minimum wage</td>
<td>0.4278*</td>
</tr>
<tr>
<td>Minimum wage</td>
<td>0.3051</td>
</tr>
<tr>
<td>Gross-to-net effort</td>
<td>0.2686</td>
</tr>
<tr>
<td>Financial incentive</td>
<td>0.1894</td>
</tr>
</tbody>
</table>

Notes: a Net disposable household income at social assistance for a lone parent household with 2 children; b Net disposable household income at full-time minimum wage employment for a lone parent household with 2 children. Correlations in italics appear to be relatively robust when taking account of influential cases and data variations.


Taking once again account of the large impact single country cases can have in such a small group, we repeated the exercise for different country groups and data sources (i.e. the OECD Benefits and Wages data). Especially the inclusion of the Southern European countries led to an overestimation of the correlations between the assessed institutions and poverty outcomes. In light of these robustness checks, the following observations can be made:

- Adequate minimum income protection for out-work lone parent households tends to co-exist with lower poverty rates among persons living in working age lone parent households
Similarly, adequate minimum income protection for in-work lone parent households tends to correlate with lower poverty rates among persons living in working age lone parent households. There appear no consistent correlations between the other proposed institutional indicators and employment or poverty indicators for the risk group of lone parents. This is also the case for financial incentives and the share of jobless households.

As mentioned, it is impossible to draw stark conclusions from these indicators. Rather, they point to an interesting agenda for further research. Using pooled time series regression, the correlations should be checked further.

8.9 Conclusion

Europe should care better for the poor. Despite ambitious EU policy goals on poverty reduction, Europe and its Member States are facing disappointing poverty trends. Poverty rates have worsened considerably after the onset of the crisis. But more worryingly, there has been a lack of progress in the fight against poverty in the prosperous pre-crisis years as well. This indicates the existence of structural constraints against which EU social governance and the ambitious EU 2020 targets have proven to be powerless. On the other hand, some countries have been more successful than others in the fight against poverty, clearly pointing to the importance of adequate social policies. Against this background, recent developments at the EU governance level may prove important for strengthening the steering and coordination of social policies in order to meet common social objectives. In the wake of the budgetary Eurozone crisis, the EU has increased the policy monitoring of its Member States through the European Semester. Whereas the focus was initially on macro-economic indicators, more recently, monitoring includes progress towards the Europe 2020 outcome targets, including the poverty reduction target. In order to strengthen the social dimension of the Economic and Monetary Union (EMU), a scoreboard of key employment and social indicators was included in the Joint Employment Report while employment and social indicators were included as auxiliary indicators in the MIP-scoreboard. More recently, the Five Presidents’ report emphasizes the use of benchmarking and cross-examining performance in order to achieve convergence. According to the European Commission’s communication on steps towards completing the EMU, benchmark indicators need to meet two requirements. First, they must closely relate to the policy levers, such that they can lead to actual and meaningful policy
implications. Second, there needs to be robust evidence and enough consensus that they contribute significantly to higher level objectives such as jobs, growth, competitiveness, social inclusion and fairness or financial stability.

Keeping this in mind, we propose to insert indicators of minimum income packages in the European semester governance framework, which could support the EU-2020 outcome target indicators. We argue that the introduction of a broad focus on minimum income protection, including minimum wages is an important inroad into a stronger role for social Europe in the fight against poverty. Including carefully selected indicators of policy packages in the streamlined EU policy monitoring process (European Semester), would render Member States more accountable for the social quality of economic policies and anti-poverty strategies and can bring out different policy mixes, available options and potential imbalances. Without interfering with national authority and policy structures, such indicators can pinpoint imbalances in the nexus of minimum wages, work incentives and minimum incomes for jobless households. This broad focus (including minimum wages, gross-to-net efforts and work incentives) is needed as minimum wages are inextricably linked to minimum income protection while adequate minimum income protection should be in balance with work incentives.

A social Europe will need to be established incrementally, step by step. Later, in order to give more bite to the abovementioned actions an EU framework on minimum incomes sensu lato should be put in place, not only as a guideline for national governments but also to rebalance the legal asymmetry between economic and social standards. If the EU 2020 targets on the reduction of the EU population at risk of poverty or social exclusion are to be taken seriously this seems to be a necessary next step.
CONCLUSION

Over the past decades, welfare states have had to cope with tremendous and ongoing challenges. The socio-economic and demographic context in which they developed no longer exists, or is at the very least swiftly changing. Impressive technological advances and globalization have profoundly changed western economies and labour markets, whereas socio-demographic shifts and migration have led to less stable families and less homogenous societies. In short, the society blueprint welfare states were built on, of stable families with a male breadwinner in full-time employment, is outdated. Self-evidently policy makers reacted to this new social reality. “Activation” and “social investment” were adopted as new policy paradigms. Welfare states were recalibrated, both to provide insurance against new social risks and to make existing provisions more employment-friendly.

Against this background, this thesis has looked at the minimum incomes that are guaranteed to the able-bodied population at active age in the different EU Member States: the social floor that offers protection to those who fall through the cracks of more traditional welfare state provisions. Because of this residual role, minimum income protection automatically steps in when new challenges make themselves felt. Monitoring minimum income protection hence allows to signal deficiencies in the welfare state, as it finds itself directly at the frontline as the policy context changes. As migration, socio-demographic changes and labour market conditions continue to make it harder to fulfil the (increasingly restrictive) access conditions to traditional social insurance schemes, minimum income protection is likely to become ever more relevant. At the same time, minimum income protection is fundamentally important: it is the final safety net the welfare state guarantees as a matter of (social) right. The activation tide that washed over the welfare state also affected the nature of minimum income protection. Whereas minimum income protection never was free from activity requirements, the ongoing recalibration of the welfare state has likely resulted in changes to the conditionality and generosity of the welfare state’s ultimate safety net. A case in point is its relation to the minimum income that is guaranteed to working families, through a combination of the minimum earnings regulations (the minimum wage) and more direct income support. In this dissertation, I assessed trends and adequacy of
minimum income protection from these different perspectives. The results are disconcerting to say the least.

First and foremost, and unsurprisingly, minimum income protection for the non-working able-bodied of active age is highly inadequate in the EU Member States. Even when taking account of all legally guaranteed benefits such as social assistance, child benefits and housing allowances, and assuming well-functioning benefit schemes (cf. infra, limitations), the findings confirm that the final net disposable income at minimum income protection falls short of the EU at-risk-of-poverty threshold in nearly all EU Member States (see for similar conclusions the work of Frazer & Marlier, 2009, 2016; Immervoll, 2012a; Nelson, 2013; Van Lancker, 2015; Van Mechelen, 2010), and this for different family types and under different assumptions. This stands in stark contrast to the repeated EU-level calls for adequate minimum income protection. This general finding notwithstanding, there is tremendous variation between EU Member States with regard to the extent of this shortfall: in 2012 Denmark and Ireland guaranteed net social assistance incomes at the 60% at-risk-of-poverty threshold, at least for some family types, whereas minimum income protection was only around 20% of median equivalent household income in Romania and Bulgaria, and altogether lacking in Greece. Also when taking a broader approach to minimum income protection, including the range of available services and activation measures, we do not find evidence for similar minimum income protection policies.

Second, and more surprisingly in light of the making work pay objective of activation policies, also minimum income protection for the working able-bodied of active age is largely inadequate, especially when there are more persons in the family who rely on the minimum wage. This is the case for breadwinner households with and without children as well as for lone parent households, signalling the difficulty of securing adequate incomes through only one income when double earnership has become common. But even for single person households, guaranteed net disposable income at a full-time minimum wage is below the poverty threshold in a non-negligible number of EU Member States. This observation holds when taking account of the non-discretionary support that is provided to low wage earners, such as universal and means-tested child benefits, housing allowances, in-work benefits and favourable tax treatment. Also for working families, the variation in the adequacy of the minima between the EU Member States is huge, yet the ranking of the minimum income guarantees not necessarily mirrors those for non-working families. Indeed, the balance between minimum income protection levels for non-
working and working families shows large differences among the EU Member States: Denmark combines adequate in-work and out-of-work minimum income protection, whereas similarly adequate in-work minima in the Netherlands, Germany and Poland, are combined with respectively nearly adequate, inadequate and very low net social assistance incomes, to name but a few examples.

Third, trends in minimum income protection guarantees differ substantially between different target groups. For the non-working active-age able-bodied population, trends were in many countries negative in the 1990s. In the 2000s, the picture is more diverse as some countries issued large-scale reforms or introduced ad-hoc increases. Simply relying on statutory indexation mechanisms does not suffice to keep social assistance benefits in line with living standards. In contrast, trends in minimum income protection guarantees for the elderly were positive (and often largely so) in all but two western European countries. Finally, net minimum income protection packages for the working active age population often kept up with trends in living standards, although there are important exceptions. Yet whether net packages eroded or not, in general trends in net minimum income guarantees for the working population were more positive than trends in gross minimum wages. Direct government support to working families was raised in most countries. In doing so, policy makers favoured lone parent households.

Fourth, the crisis did not help matters. Although the initial policy response to the 2008 financial and economic crisis was to increase minimum benefit rates for the non-working population in a number of countries, the temporary and piecemeal character of these measures merely indicated an inclination towards tinkering in the margins. This contrasts with an expectation in the welfare state literature that crises may act as path-breaking events that allow policy makers to push through far-reaching reforms. In addition, austerity measures quickly followed. Despite relatively limited budgetary gains to be expected, minimum income schemes were not excluded from budget cuts. Moreover, these austerity measures included a further strengthening of activity requirements in quite a few countries, indicating that the activation agenda of the pre-crisis years was merely halted immediately after the onset of the crisis. Finally, in line with the retrenchment literature, many of the austerity measures were technical changes, such as changes to the indexation mechanism or equivalence scales. Whereas these do not immediately indicate path-breaking changes, their long-term impact on the adequacy of safety nets may be profound.
Fifth, as expected, the paradigm shift towards activation and making work pay was reflected in the social floor for both the working and the non-working active age population. As noted above, minimum protection for the working population was characterized by substantial increases in additional government support. Yet as minimum wages did not always keep up with living standards, trends in the adequacy of the minimally guaranteed incomes of full-time workers are mixed. At the same time, the gap between net minimum income for the non-working population vis-à-vis the net guaranteed income for the working population increased in many countries. In just under half of these cases, the increasing direct income support to working families allowed for increasing financial incentives, even as net social assistance incomes remained stable or increased. Elsewhere, the increased gap between in-work and out-of-work minimum income was at least partially the consequence of eroding net social assistance.

Finally, non-financial activation measures are important for the non-working minimum income beneficiaries. Although this thesis predominantly focuses on the legally guaranteed incomes (cf. infra, limitations), chapter 7 explicitly includes the legal activity requirements expected from social assistance beneficiaries and the services and activation measures that are in principle available to them. Based on these unique data, we identified the activation strategies within the European minimum income protection schemes, distinguishing between four dimensions (in casu adequate income support, enabling policies, incentives, and access to quality services) that were derived from the activation literature and the 2008 European Commission’s Active Inclusion Recommendation. By now, all EU Member States but one have introduced activation measures within their minimum income protection schemes for the non-working active age population. Clearly, the right to minimum income protection is conditional upon activity requirements. The identified activation strategies do not adhere to the EC Active Inclusion Recommendation. Rather than combining demanding and enabling elements in line with the Recommendation, most EU Member States favour demanding elements.

**Limitations**

This dissertation looks at the legally guaranteed safety net for different target groups. It mainly does so by analysing standard simulations, calculations of the income components of hypothetical families under very strict assumptions. There are self-evident and profound limitations to such an approach.
For one, the findings are limited to the relatively specific model families and income situations (policy fields) included in the analysis. We look at breadwinner couples and single-headed families both with and without (a limited number of young) children. Hence, findings may vary substantially when focusing on minimum protection levels for student households, large families, multi-generation households or other family types. As household compositions differ largely between EU Member States, this is no trivial issue.

Second, we assess countries as single units, assuming *national* minimum income protection strategies and institutions. Yet, scholars have highlighted that large regional variation is possible within countries (Kazepov, 2010). This issue is especially relevant for minimum income protection and activation policies, where decentralized organization is quite common. Some of the policies researched in this thesis, and the related findings, are based on the regulation and practices in a large city or region, rather than on the country’s policies as a whole. Implicitly, the assumption is made that these region’s or city’s practices are representative for the minimal safety net in the country as a whole, but this may be a rather strong assumption in some cases. Especially in the case of Spain and Italy, the chosen localities are rather generous.

Third, and in line with the former issue, we focus on legally guaranteed minimum income protection levels and institutions. Yet minimum income protection and activation efforts are specific in the sense that in some cases, a large role is purposefully left to the local level, and even to the individual caseworkers. This leeway should ensure a personalized approach, with attention to the individual recipient’s specific and often complex situation. National and local legislation therefore generally leaves room for discretionary support and measures. As these measures are not legally guaranteed, we opted not to try to include them in our assessment of the ultimate safety net. Yet we should be aware that such discretionary support and assessments exist and may indeed be quite important for certain households. Discretionary and local support may even – at least in some situations – impact on our findings regarding actually implemented activation strategies, or the relative balance of minimum income protection for the non-working vis-à-vis the working population (see Anne & L'Horty, 2008 for France; and Cantillon, Van Mechelen, Frans, & Schuerman, 2014; Van Mechelen & Bogaerts, 2008 for Belgium).

Fourth, we assume benefit schemes work perfectly. The model families under scrutiny know how to apply for the benefits to which they are entitled, and are completely rational in claiming
benefits. Yet research shows that this is likely not the case (see Thaler & Sunstein, 2008). The target group of minimum income protection schemes is hard to reach. Benefits are characterized by high non-take-up rates (Bargain et al., 2012). Even when beneficiaries find their way to the relevant benefits, administrative hurdles may make it difficult to receive benefits in real time, or continuously as family and income situations may fluctuate (van Oorschot, 2002).

Fifth, we look at specific aspects of minimum income protection: adequacy (and how this is guaranteed through the interplay of different benefit schemes and provisions) and behavioural conditionality (activity requirements). Eligibility conditions, an important aspect of the generosity of minimum income protection and guaranteed social rights, are only to a very limited extent taken into account. Other institutional aspects that are not covered in this thesis are the administrative organization of minimum income protection and its financing. Both are crucial from a (managerial) policy perspective. Similarly, we make abstraction of the wider welfare state context, exclusively focusing on the minimum income protection arrangements for working and non-working families. Yet, as shown in chapters 1 and 2, the number of people actually relying on these arrangements differs largely between countries, depending on for instance eligibility conditions, the broader welfare state set-up and labour market conditions.

Finally, our approach disregards international differences in most cost-compensating measures. We did include three cost-compensating measures in the analysis of minimum income guarantees, as they are a common element of minimum income protection, and as assumptions could be made in a relatively straightforward way (housing allowances, at an assumption of (two third of) median housing costs; child care allowances, at an assumption of full-time care in the most common type of child care in each country; and heating allowances, at an assumption of most common mode of heating for low income families). These cost-compensations were only included as an element of the income guarantee, and not studied in relation to the expenses covered. Other, more specific cost-compensations that are potentially available, such as for health- or education-related expenses were disregarded altogether. Including these measures requires even more assumptions on ‘usual’ or ‘minimal’ spending patterns, an analysis of which was outside the scope of this thesis. More generally, we did not take account of the generally available level and cost of subsidized public services, such as public transport, although this might be less problematic as we compared income guarantees relative to indicators of average living standards in each country.
Policy implications

In light of these limitations, it is difficult to connect stark policy recommendations to the listed findings. This is even more so the case as this thesis did not set out to analyse the consequences of specific minimum income protection policies. Nonetheless, the findings highlight important considerations to policy makers.

EU safety nets are a long way from being adequate. If social policy makers want to make adequate incomes a priority, sufficient indexation mechanisms are needed, as well as additional increases in most countries. Yet the chapters combined in this dissertation highlight substantial hurdles to the provision of adequate safety nets. In particular, safety nets are inadequate for the non-working and the working able-bodied population of active age in most countries. If policy makers want to install a gap between minimal in-work and out-of-work income, for reasons of deservingness or to safeguard financial incentives, actions on both fronts are required. This substantially increases the cost of installing adequate minimum income protection institutions. We should acknowledge this reality when exploring avenues towards adequate safety nets.

A substantial number of countries already raised in-work income floors over the past years: for instance, net disposable income for a lone parent model family, full-time employed at the minimum wage, increased between 2001 and 2012 in the majority of countries discussed in this thesis, and this was mainly thanks to government support. In most countries net minimum in-work incomes developed more favourably than minimum wages. In nearly all countries where minimum wages lost ground to the median equivalent household income, government gross-to-net effort at least mitigated, and sometimes even countered the effect on the adequacy of the net income floor for working families. This income support takes several forms: tax decreases or allowances for low wage workers, social insurance rebates, but also in-work benefits, child benefits and cost compensations such as housing allowances.

It is true that some countries have gone farther down this path of directly supporting the net income of minimum wage families than others. This may indicate that in the latter, there may still be scope to increase minimum in-work income through similar strategies. For instance, in Chapter 8 we showed that Greece and Spain atypically levy taxes on a lone parent model family that relies on a minimum wage. Following in the steps of other countries, by introducing or increasing tax allowances or credits for dependent family members or for low wage income,
would result in at least somewhat more adequate in-work income floors. Similarly, at a nearly equal minimum wage level, the Netherlands provides more direct income support to a lone parent family than Belgium, resulting in a net in-work minimum income above the poverty threshold in the former country, as opposed to the latter. With a similar gap between minimum incomes for the working and the non-working families, the social floor for this family type is far closer to the at-risk-of-poverty threshold in the Netherlands than it is in Belgium.

Yet, increases in gross-to-net efforts will need to be extremely substantial if one is to arrive at adequate social floors for both the non-working and the working population. The effort needed may be lessened by shifting some of the responsibility for adequate in-work income floors to the market, through the enforcement of a higher minimum wage. Some countries have taken steps in this direction: both Hungary and the United Kingdom raised the minimum wage while cutting tax benefits. Cantillon, Collado and Van Mechelen (2015) have raised doubt on the feasibility of minimum wage increases in the context of stagnating low wages. In this thesis, we found that minimum wages in the first decade of the 2000s did increase relative to average living standards in around half of the EU Member States, although often in countries where minimum wages were initially low or around average in relative terms.

Elsewhere, the gap between income floors for the non-working and working population is of such a magnitude, that there might be some room for improvement for out-of-work minimum income protection without directly having to raise the entire social floor. These are mainly the countries where existing social assistance provisions are completely inadequate or lacking altogether, such as Greece, Italy, Romania, but also the US and Poland. Self-evidently, the conceivable increases would not result in adequate minimum income protection, but would still represent important improvement relative to the current situation. There are however also exceptions at the other end of the spectrum. Austria and Denmark both guarantee (nearly) adequate incomes to both non-working and working lone parent families with virtually no gap between both minima. Clearly, there is large variation in the societally desired gap between minimal in-work and out-work income.

These observations highlight that we should try to better understand under which circumstances substantial financial incentives are subordinate to adequate protection. Presumably, departing from a pure “income-perspective” on minimum income protection will provide valuable insights.
For instance, countries that provide ample employment and training opportunities to beneficiaries coupled to a strict monitoring of activity requirements may be more confident in providing high social assistance benefits. As a first step in widening our assessment of minimum income protection beyond a pure focus on incomes, this thesis assessed the differences in activation strategies between national minimum income protection schemes. In this exercise, Austria was identified as a country with extensive services accessible to minimum income beneficiaries. Due to data issues, Denmark was unfortunately not included in this analysis. Yet also this country is generally recognised as having extensive services and intensive activation programmes. Based on the evidence provided in this dissertation, it is not possible to disavow other, less policy-prone explanations for these large differences in the balance of minimum income protection, such as cultural differences. Also whether or not income floors are relevant for large numbers, may account for the importance policy makers and societies at large attach to the balance of income floors for the working and non-working population. Hence, additional research is needed. Yet, policy makers may want to consider the possibilities and advantages of the more comprehensive active inclusion concept proposed by the Commission in redrawing the balance of minimum income protection incomes, in light of their Member States’ national context.

Accurate and detailed information is necessary to further this debate. The EU can play a role in this regard. Despite ample policy recommendations calling for adequate and inclusive minimum income protection schemes, this thesis found the EU Member States’ track record in this policy field to be less than stellar. So what is the way forward? An explicit policy monitoring and benchmarking of minimum income protection policies offers a logical next step. This would require selecting and perfecting institutional indicators. Sound indicators employed in a transparent monitoring exercise of minimum income protection institutions would also support the image of a more social Europe. In chapter 8 we proposed to include the following indicators for relevant household types (all expressed as a percentage of the at-risk-of-poverty threshold): net disposable income at social assistance and net disposable income at one full-time minimum wage, the gap between both incomes and the components of the net disposable income at minimum wage: the minimum wage and gross-to-net government effort. Together, these indicators inform on the adequacy of the social floor, the balance of minimum income protection for working and non-working target groups, and the responsibility the government assumes in ensuring these incomes. Yet more work is needed. At the very least, indicators should be
developed that allow to compare the contribution of cost compensations, activation measures and services to basic security in a cross-national perspective. Improving institutional indicators is no trivial exercise. They capture how policies are supposed to work. Ultimately, these are the variables on which policy makers can actually have an impact. In other words, these indicators should allow disentangling the impact of policies vis-à-vis context variables outside of policy makers’ direct control.

**What’s next?**

Through its assessment of trends and variation of the adequacy and conditionality of minimum income protection arrangements in the EU Member States, this dissertation inspires a number of exciting and useful future research topics.

A key topic relates to the broader instrumental relevance of the institutions researched here, in terms of social outcomes. This dissertation looked at minimum income protection institutions. We deem minimum incomes inherently relevant as they represent the ultimate safety net guaranteed by a society. In addition, they constitute a reference point for other social and labour market policies. However, minimum income protection’s main raison-d’être is to prevent (extreme) poverty. Whereas it is beyond doubt true that minimum income protection benefit receipt attenuates the poverty experience of individual beneficiary households (Behrendt, 2002), we know surprisingly little of the institutional characteristics that make minimum income protection schemes effective instruments against poverty on a national scale. If previous research addressed their effectiveness at all, it was mainly through a perfunctory and static comparison of the level of the guaranteed social floor with social outcomes. In combination, these mainly explorative studies hinted at the importance of adequate benefit levels, eligibility rules and coverage, (potential drivers of non-) take-up, the administrative organization of minimum income protection (such as the degree of centralization) and social assistance expenditure (Avram, 2008; Behrendt, 2002; Figari et al., 2013; Hölsch & Kraus, 2004, 2006; Ravagli, 2015; Tasseva, 2012). Also this dissertation, in chapter 8, tentatively showed that correlations exist between the net minimum income levels for the non-working and working population on the one hand, and poverty rates at the other. Yet such indications for the importance of adequate safety nets do not establish actual relations, precise mechanisms or explanatory power. Alternative explanations are conceivable. Also, this research generally disregards minimum income protection’s impact on
employability and employment chances, whereas social investment scholars have convincingly argued that these aspects of social policy should not be neglected. An obvious next step is to combine these insights in a clear explanatory model that allows us to identify when and why minimum income protection schemes are effective in combatting poverty on a macro-level.

Such an analysis necessitates a number of steps. First, it needs to take account of the impact of and interaction effects with other determinants besides (broad) minimum income protection adequacy. Important in this regard are the eligibility and behavioural conditions (and how these relate to coverage, non-take-up and sanctions), but also the wider welfare state context. Second, measurement issues need to be tackled. As amply noted in this conclusion, our current repertoire of institutional indicators is not perfect. Whereas I argue in the introduction that these indicators are well-suited to capture policy intent towards specific groups, their applicability in causal analyses is limited for a number of reasons. They are only available for a limited number of family types, very locally defined and have difficulty coping with cost-related components of minimum income protection. Other institutional characteristics, such as eligibility and conditionality, face even more problematic measurement issues, leading to their general neglect in cross-national analyses of minimum income protection effectiveness or to prohibitive misspecifications when they are used. Throughout the chapters included in this thesis, I tackled some of these issues. We now have more information on the activation strategies targeted at vulnerable groups. Also, the standard simulations analysed take account of empirically estimated housing costs. Yet additional efforts are necessary. The recently developed EUROMOD Household simulation tool may prove useful in this regard, thanks to its versatility. It would allow to calculate generosity for more (and hence also more nationally representative) family types, in a broader range of situations. On a more substantive level, we need to think about appropriate MIP effectiveness assessments. There is a discrepancy between internationally accepted and applied poverty definitions and measurements, and national minimum income protection design. Insufficient comparative information on means-tests, household units and equivalence scales have until now prohibited a clear assessment of the impact of this issue on the disappointing findings regarding minimum income protection effectiveness. Taking the argument seriously that minimum income protection embodies what a society deems the minimal living standard acceptable, further assessments of minimum income protection household definitions, equivalence scales and benefit levels may inspire poverty concepts, for instance through
systematic comparison to international standards or reference budgets. This would align the assessment of minimum income protection effectiveness more with the national, internal views on poverty and minimum income protection functionality. Such an exercise would inform us of how more technical aspects of minimum income protection (such as the means-test and implicit equivalence scales) ultimately impact on its perceived poverty fighting effectiveness.

In addition, a number of more institutional questions become ever more pressing. This dissertation looks at trends and variation in minimum income protection for the working and non-working active age population, against the background of profoundly shifting socio-economic and policy contexts. In line with the making work pay rationale, we found a widening gap between out-work and in-work income guarantees. This notwithstanding, net minimum income protection for the non-working population held its own or increased in around half of the countries. However, scholars have voiced concerns that further increases in minimum incomes are inherently constrained (Cantillon, Collado, et al., 2015b; Marx, 2016). This argument is based on the expectation that a hierarchy of incomes exists and will be maintained (see also Van Mechelen, 2010 on less eligibility), with minimum out-of-work income at the bottom, followed by other wage replacement incomes, minimal in-work and low-wage income and median living standards. This thesis has shown that welfare states have worked hard to keep in-work minima in line with living standards. Especially in the old Member States this was mainly through increases in gross-to-net effort, rather than through increases in the minimum wage. Whether or not policymakers have become inherently constrained in keeping minimum income benefits in line with living standards is a crucial question. Adverse labour market trends, described in the introduction of this dissertation, have by no means abated. Skill-biased technological change and deindustrialization may put (further) pressure on low and median wage development. With wage inequality on the increase, and average living standards also determined by double-earner families, the challenges towards adequate minimum incomes and minimum wages are potentially daunting. Understanding how these trends impact on each other is highly relevant.

Related, and ultimately, a highly policy-relevant question relates to the future design not solely of minimum income protection and means-tested support, but of the entire welfare state. As broader trends impact on the accessibility and effectiveness of traditional social insurance schemes as well as on labour market incomes, means-tested last support automatically steps in. Yet important normative and practical questions arise in the context of such a rebalancing of social protection.
Indeed, other options are conceivable, and may even be preferable in light of fairness, social cohesion, affordability or effectiveness concerns. To what extent should we focus on income from work, from contributory income support, income- or means-tested support or universal provisions to secure well-functioning social protection systems? Which benefits can we expect from each of these different support types? And would a rebalancing of our welfare states towards a more fair, effective and future-proof organization be practically feasible? Answering these questions hinges at least to some extent on a profound understanding of the strengths and weaknesses of different types of income support in contemporary welfare states. With its focus on the interaction between different benefits, minimum wages, taxes and behavioural conditions in guaranteeing minimum net incomes, it is our hope that this thesis has contributed to such an understanding to at least some extent. Next research steps should move beyond the focus on net minimum income packages for typical families towards an assessment of complementarities between different income support schemes. Also the potential of cost-compensations as supplements to low incomes should be further investigated. In light of thinking towards a future-proof welfare state, both fairness considerations, not solely focusing on minimum incomes, but also including deservingness and distributive aims, as well as affordability and financing considerations should be taken on board.
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256


259
WE WORDEN ER MET DE REGELMAAT VAN DE KLOK AAN HERINNERD DAT DE ARMOEDegraad voor gezinnen op actieve leeftijd schrikbarend hoog is in de Europese lidstaten. Nochtans hebben we in Europa de meest omvangrijke welvaartsstaten van de wereld. Dag na dag zorgen die ervoor dat ouderen kunnen rekenen op een pensioen, dat een deel van de kost van kinderen gedeeld wordt door iedereen en dat we toegang hebben tot een betaalbare gezondheidszorg en onderwijs. Als mensen niet (meer) in staat zijn zelf een inkomen te verwerven, zorgen onze welvaartsstaten voor een aanvullend of vervangingsinkomen.

Deze welvaartsstaten werden de laatste decennia wel voor grote uitdagingen geplaatst. Ingrijpende technologische ontwikkelingen en een doorgedreven globalisering en regionalisering hadden en hebben een sterke impact op nationale economieën en arbeidsmarkten. Tegelijkertijd zorgen socio-demografische verschuivingen en migratie voor minder stabiele gezinnen en minder homogene samenlevingen. De hoeksteen van de naoorlogse welvaartsstaat, een stabiel gezin met een mannelijke, voltijds tewerkgestelde broodwinner, is in sneltempo aan het verdwijnen.

Uiteraard hebben beleidsmakers getracht welvaartsstaten aan te passen aan deze veranderende realiteit. In het bijzonder ging er veel aandacht naar activering en ‘sociale investeringen’. De idee dat iedereen die kan werken, ook moet werken is gemeengoed geworden. Welvaartsstaten werden ‘verbouwd’: sociale verzekeringen werden uitgebreid om ook nieuwe sociale risico’s te dekken, en bestaande stelsels werden meer afgestemd op tewerkstelling.

Met deze belangrijke verschuivingen in het achterhoofd, kijkt deze thesis naar een specifiek onderdeel in het grotere geheel van de welvaartsstaat: de minimuminkomensbescherming. Dit is het geheel aan voorzieningen dat een echte bodem legt onder de welvaartsstaat. Inwoners die op geen enkele andere steun beroep kunnen doen, hebben in principe (bijna) overal in Europa recht op een gegarandeerd inkomen. Niet verrassend zijn er enorme verschillen in deze bodembescherming tussen landen en tussen verschillende soorten gezinnen. Ook de voorwaarden om recht te hebben op een uitkering (en om hier recht op te blijven hebben) verschillen sterk. De gemene delers zijn dat alle andere rechten moeten zijn uitgeput, dat men geen eigen middelen meer heeft (dit wil zeggen dat het gezinsinkomen ontoereikend wordt geacht, en dat ook andere
steun, bijvoorbeeld uit spaargelden of van inwonende familie geen optie is), en dat men actief probeert de eigen situatie te verbeteren. Het voornaamste doel van minimuminkomensbescherming is (extreme) armoede vermijden. In België bestaat die bodembescherming voor personen en gezinnen op actieve leeftijd uit het recht op maatschappelijke integratie. Bovendien kunnen de openbare centra voor maatschappelijk welzijn (OCMW) op discretionaire basis aanvullende steun toekennen. Op dit laatste wordt niet ingegaan in deze thesis, waarin gekeken wordt naar de bodembescherming die van rechtswege gegarandeerd is.

Deze thesis bundelt 8 eerder verschenen artikels en boekhoofdstukken die elk een aspect van de bodembescherming in de Europese lidstaten onderzoeken. De focus ligt op de minimuminkomensbescherming voor alleenstaanden en gezinnen met een gezinshoofd op actieve leeftijd dat in staat is om te werken. Ik ga na hoe adequaat de minimuminkomensbescherming is in de verschillende lidstaten, en hoe deze veranderden met de toenemende nadruk op activering sinds de jaren '90. Bovendien worden ook de minimale inkomens gegarandeerd aan gezinnen met een voltijds werkende volwassene onderzocht. Wat is de balans in minimuminkomensbescherming voor werkenden en niet-werkenden? Welke voorwaarden worden gekoppeld aan minimuminkomensbescherming? En welke rol speelt de bodembescherming in Europees sociaal beleid? De consiente cross-nationale focus helpt om gemeenschappelijke trends en specifieke hervormingen van elkaar te onderscheiden. Zo draagt deze thesis bij aan verschillende vraagstukken in de literatuur rond veranderingen in welvaartsstaten, zoals de redenen voor veranderingen in sociaal beleid, hoe deze veranderingen te meten, het effect van activeringsmaatregelen op gegarandeerde sociale rechten, de impact van de EU op nationaal sociaal beleid en de impact van crisissen op de ontwikkeling van sociaal beleid.

**Het belang van minimuminkomensbescherming**

Een analyse van de gegarandeerde minimuminkomensbescherming in de Europese lidstaten is om verschillende redenen interessant.

Minimuminkomensbescherming voor de niet-werkende bevolking op actieve leeftijd is een residueel stelsel. Het treedt pas in werking wanneer alle andere rechten zijn uitgeput. In de ontwikkeling van de Westerse welvaartsstaat was gegarandeerde sociale bijstand zoals we die nu kennen immers bedoeld als sluitstuk van de welvaartsstaat. Traditioneel diende de bijstand om
een bodem te voorzien aan een kleine groep van gemarginaliseerde mensen die door de mazen van de grotere sociale verzekeringen netten vielen, zoals het werkloosheidsstelsel of de invaliditeitsverzekering. In de feiten wil dit zeggen dat groepen die het in een veranderende socio-economische context moeilijker krijgen om toegang te verwerven tot deze grotere en bekendere sociale verzekeringen, uiteindelijk in de bijstand terecht zullen komen. In die zin kan een analyse van de minimuminkomensbescherming problemen signaleren die zich manifesteren in de rest van de welvaartsstaat. Cantillon heeft het over de bijstand als de kanarie van de welvaartsstaat (in De Wilde, Cantillon, et al. 2016).

Bovendien wint door die veranderende context de bodembescherming aan belang voor een steeds grotere groep van mensen. Toenemende migratie zorgt voor een instroom van mensen die vanzelfsprekend nog geen rechten hebben opgebouwd in de sociale zekerheid. Tegelijk zorgen minder stabiele gezinnen voor een influx van alleenstaande ouders. Hervormingen elders in de welvaartsstaat, met striktere toegangscriteria tot de sociale zekerheid en toegenomen sancties (Clasen & Clegg, 2011; Van Lancker et al., 2015), dragen bij tot deze ‘massificatie’ en ‘diversificatie’ van de bijstand (Van Mechelen et al., 2016). Dit effect wordt nog versterkt omdat deze striktere toegangscriteria in sterke tegenstelling staan tot een tendens op de arbeidsmarkt naar net minder stabiele loopbanen, meer freelance contracten, en bijgevolg een minder duidelijke band met de sociale zekerheid.

Een analyse van minimuminkomensbescherming is ook relevant omdat het stelsel het absolute minimum aangeeft dat we als samenleving aanvaardbaar vinden om van te leven. Het is het laatste vangnet dat de welvaartsstaat garandeert als een sociaal recht. In die zin moeten we bedacht zijn voor veranderingen in de aard van minimuminkomensbescherming die gepaard gaan met de toenemende nadruk op activering. Uiteraard was een zekere vorm van quid pro quo altijd al een onderdeel van minimuminkomensbescherming. Zo werd steeds nagegaan of alle rechten werden opgenomen, en er was een verwachting dat men probeerde zijn situatie te verbeteren. De nog steeds toenemende focus op activering heeft deze verwachtingen expliciet gemaakt. De impact op de voorwaardelijkheid en generositeit van minimuminkomensbescherming is onbekend, maar mogelijk substantieel. In welke mate is hierdoor de aard van de minimuminkomensbescherming veranderd?
Ten slotte, en net omdat het om een minimaal inkomen gaat, is een analyse van de minimuminkomensbescherming een nuttige oefening omdat het duidelijk de ondervragen afbakenst van de speelruimte die beleidsmakers hebben bij het vastleggen van vervangingsinkomens. Het is de bodem onder de spanningsvelden die beleidsmakers tussen verschillende soorten inkomens willen installeren. Een analyse van minimuminkomens kan daarom beleidskeuzes en strategieën informeren.

**Institutionele indicatoren**

Deze thesis kijkt naar minimuminkomensbescherming als een belangrijke beleidsparameter, en wil dan ook voornamelijk het beleid zelf vergelijken tussen landen en doorheen de tijd. Hiervoor wordt gebruik gemaakt van institutionele indicatoren, i.e. indicatoren die beleid op zich vatten, en die abstractie maken van de bredere context. Zo gebruik ik wetteksten en richtlijnen om activeringsvereisten in kaart te brengen. Het niveau van minimuminkomensbescherming voor verschillende doelgroepen en gezinstypes in de EU lidstaten wordt dan weer gemeten met standaardsimulaties. Dit zijn berekeningen van het inkomens van een hypothetisch gezin, waarvan de karakteristieken door de onderzoeker worden bepaald. Het netto inkomens en de verschillende inkomenscomponenten worden berekend door na te gaan voor welke uitkeringen het typegezin in aanmerking komt, en welke belastingen ze moeten betalen. Omdat het typegezin steeds hetzelfde is in de verschillende landen en periodes, valt duidelijk in kaart te brengen welke landen genereuzer zijn dan andere. Bovendien kunnen deze verschillen rechtstreeks teruggebracht worden op verschillende regelgeving en beleidskeuzes. Deze institutionele indicatoren brengen dus het beleid in kaart zoals het verondersteld wordt te werken.

Ik heb in dit proefschrift expliciet gezocht naar manieren om dergelijke institutionele indicatoren verder te perfectioneren. De database die ik gebruik, CSB MIPI (Centrum voor Sociaal Beleid Minimum Income Protection Indicators) werd binnen het Centrum voor Sociaal Beleid ontwikkeld. Deze data set is de eerste die activeringsvoorwaarden uitgebreid in kaart brengt voor de Europese bijstandsstelsels. Bovendien verschaft de 2012 versie van CSB MIPI informatie over de – in sommige landen bestaande – combinatie van een arbeidsinkomen met een aanvulling vanuit het bijstandsstelsel. Verder optimaliseert CSB MIPI de schatting van de hoogte van huursubsidies, door de standaardsimulaties van deze uitkeringen te baseren op empirisch geschatte huisvestingkosten.
Uiteraard zijn er verdere verbeteringen mogelijk en nodig. Bovendien zijn er beperkingen inherent aan het werken met institutionele data. Zo zijn de conclusies gebaseerd op een beperkt aantal typegezinnen, die niet noodzakelijk representatief zijn voor de totale bevolking, of in elk land even relevant. Zo kijk ik in deze thesis niet naar huishoudens waarin meerdere generaties samenleven. In Oost-Europese welvaartsstaten is wellicht net dit soort typegezinnen relevant. Tevens geven de gebruikte institutionele indicatoren geen beeld van de bredere institutionele context. Het percentage van de populatie dat een uitkering ontvangt van de bijstandsstelsels onderzocht in deze thesis varieerde in 2009 van minder dan 1% van de bevolking op actieve leeftijd in Bulgarije tot rond de 9% in Duitsland. Hoge percentages kunnen wijzen op een omvangrijk en genereus bijstandsnet, maar evengoed op de beperkte toegankelijkheid van werkloosheidsuitkeringen.

**Conclusies en beleidsaanbevelingen**

Het eerste – en weinig verrassende resultaat – van dit proefschrift is dat minimuminkomensbescherming ontoereikend is in alle EU lidstaten. Zelfs wanneer we rekening houden met alle wettelijk gegarandeerde uitkeringen, zoals bijstand, kindergeld en huursubsidies, en uitgaan van perfect functionerende stelsels, vinden we dat het uiteindelijke netto beschikbare inkomen voor uitkeringsgerechtigden haast overal onder de EU armoedelijn ligt. Deze bevindingen zijn in lijn met eerder onderzoek (zie bijvoorbeeld Frazer & Marlier, 2009, 2016; Immervoll, 2012a; Nelson, 2013; Van Lancker, 2015 en Van Mechelen, 2010), maar staan diametraal tegenover verschillende oproepen vanuit de EU voor *adequate* minimuminkomensbescherming. Tegelijk is er enorm veel variatie tussen de lidstaten in de grootte van de kloof met de armoedelijn: in 2012 garandeerden Denemarken en Ierland voor sommige gezinstypes netto bijstandsinkomens rond de armoedelijn van 60% van het nationaal mediaan equivalent huishoudinkomen, terwijl dezelfde gezinnen in Roemenië en Bulgarije slechts op een minimuminkomen van 10-20% van het nationaal mediaan equivalent huishoudinkomen konden rekenen. In twee Europese lidstaten, Griekenland en Italië, bestaat er zelfs geen minimuminkomen, hoewel in Italië verschillende steden en gemeentes uit eigen budgetten een minimuminkomen voorzien. In België variëren de minima van 42% van het mediaan inkomen voor een alleenstaande, 36% voor een koppel met kinderen en 46% voor een
eenoudergezin. De grote verschillen tussen de Europese lidstaten blijven overeind wanneer we ook rekening houden met diensten en activeringsmaatregelen.

Ten tweede vinden we dat ook voor gezinnen waar een volwassene voltijds werkt aan een minimumloon de minimuminkomensbescherming in verschillende landen tekort schiet. Dit is zeker het geval wanneer het gezin bestaat uit meerdere personen, zoals het geval is in een broodwinnersgezin of een eenoudergezin. Maar zelfs voor alleenstaanden zonder kinderen, is het inkomen aan het minimumloon in verschillende EU lidstaten lager dan de armoedelijn. Deze observatie blijft overeind wanneer we rekening houden met verschillende vormen van niet-discretionaire steun die wordt gegeven aan mensen met een laag inkomen, zoals universele en inkomensgerelateerde kinderbijslag, huursubsidies, in-work benefits en lagere belastingtarieven. Ook voor werkende gezinnen is de variatie in gegarandeerde minima tussen de EU lidstaten enorm, maar de ranking komt niet noodzakelijkerwijs overeen met die voor niet-werkende gezinnen. Ten gevolge hiervan verschilt de balans die overheden aanhouden tussen bodembescherming voor werkenden en voor niet-werkenden van lidstaat tot lidstaat. In Denemarken bijvoorbeeld worden adequate minima voor beide groepen gecombineerd, terwijl in Nederland, Duitsland en Polen vrij adequate inkomens voor een werkend eenoudergezin gecombineerd worden met respectievelijk vrij adequate, inadequate en zeer lage minimuminkomens voor een niet-werkend eenoudergezin. In België ligt het netto inkomen van een werkend eenoudergezin net als het bijstandsinkomen onder de armoedelijn. De kloof tussen beide inkomens voor dit gezinstype is vergelijkbaar met de kloof in Nederland en Duitsland.

Ten derde verschilt de evolutie van minimuminkomensbescherming sterk tussen verschillende doelgroepen. Voor de niet-werkenden waren de trends in de meeste landen negatief in de jaren ’90. In de jaren 2000 is er meer variatie, dankzij extra steunmaatregelen in verschillende landen. Het moet gezegd dat simpelweg vertrouwen op indexeringsmechanismen niet volstaat om op lange termijn uitkeringen in lijn te houden met de evolutie van de levensstandaard. De wisselvallige trends in minimuminkomensbescherming voor de niet-werkenden op actieve leeftijd staan in sterk contrast tot de evolutie van de minimuminkomensbescherming voor ouderen (in België de Inkomensgarantie voor Ouderen). De bodembescherming voor deze groep steeg zeer sterk in nagenoeg alle oude lidstaten. Ten slotte, bodembescherming voor de werkenden op actieve leeftijd, gegarandeerd door een combinatie van een wettelijk minimumloon en extra inkomenssteun hield op een paar uitzonderingen na goed stand ten opzichte van
stijgende levensstandaard. In de meeste landen werd extra steun gegeven aan deze doelgroep. Daarbij ging de meeste aandacht naar eenoudergezinnen.


Ten vijfde toont deze thesis duidelijk aan dat de beleidsretoriek rond activering en werk lonend maken ook daadwerkelijk werd vertaald in de wetgeving van de lidstaten van de EU. In de meeste landen steeg de inkomenssteun voor gezinnen die afhankelijk zijn van een minimumloon. We zien ook heel duidelijk dat de kloof tussen minimuminkomens voor de niet-werkenden en de werkenden groeide in de meeste landen. In de helft van de landen was dit grotendeels op conto van stijgende inkomens voor de werkenden, terwijl de inkomens voor de niet-werkenden gelijk bleven of slechts licht stegen. In andere landen was deze groeiende kloof wel het gevolg van onder meer eroderende of lagere bijstand voor de niet-werkende bevolking.

Ten slotte levert deze thesis een belangrijke bijdrage aan onze kennis rond activeringsstrategieën gericht op bijstandsgerechtigden. Gebaseerd op de beleidslijn van de Europese Commissie rond actieve inclusie voor kwetsbare personen en de literatuur, onderscheidden we vier dimensies van een activeringsstrategie: adequate bodembescherming, gedragsstimuli, steun gericht op arbeidsmarktactivering en toegang tot bredere ‘overbruggingsdiensten’. We vinden dat quasi alle landen in belangrijke mate activeringsmaatregelen hebben ingevoerd in hun bijstandsstelsels. Deze
volgen meestal niet de EU beleidslijn, maar focussen in de meeste gevallen voornamelijk op gedragsstimuli.

Uit dit alles volgt dat het garanderen van een adequate bodembescherming niet vanzelfsprekend is. Bijstandsinkomens liggen in haast alle Europese landen (ver) onder de armoedelijn. Bovendien kunnen we niet om de realiteit heen dat ook het netto beschikbaar inkomen van een gezin met iemand die voltijds tewerkgesteld is aan het minimumloon in veel gevallen inadequaat is, en dit ondanks bijkomende inkomenssteun. Indien beleidsmakers een wezenlijk verschil willen houden tussen een bijstandsinkomen en het minimale inkomen dat men kan verwerven op de arbeidsmarkt, is bijgevolg actie op beide fronten nodig. Uit berekeningen van Collado et al. (2015) blijkt evenwel dat de kosten van een dergelijke simultane verhoging zeer sterk kunnen oplopen. In sommige landen is er wel ruimte voor enige verbetering zonder zo’n simultane beweging, omdat de kloof tussen bijstands- en arbeidsinkomen in vergelijkend perspectief heel groot is. Vaak is dit het gevolg van zeer inadequate of ontbrekende bijstandsuitkeringen, zoals in Roemenië of Griekenland.

Tegelijk zijn er landen waar er slechts een zeer beperkt verschil is tussen bijstands- en arbeidsinkomen. Dit is met name het geval in Denemarken en Oostenrijk. In Denemarken zijn beide minima hoger dan de armoedelijn, in Oostenrijk schieten ze net te kort. Het is interessant om na te gaan wat maakt dat quasi gelijke minima voor werkenden en niet-werkenden met kinderen gezien wordt als een aanvaardbare optie. In deze thesis wordt Oostenrijk geïdentificeerd als een land dat inzet op positieve activering en diensten voor bijstandsgerechtigden. Denemarken werd wegens gebrek aan data niet mee opgenomen in de analyse, maar ook voor dit land wordt algemeen aangenomen dat uitkeringsgerechtigden intensief geactiveerd worden. Of dit nu (een deel van) de verklaring voor sterke verschillen in de verhouding tussen minima voor werkenden en niet-werkenden vormt of niet, het is duidelijk dat beleidsmakers uiteenlopende keuzes nastreven in de organisatie van de bodembescherming. Het voordeel van de beleidsindicatoren ontwikkeld en gebruikt in deze thesis is dat zij deze keuzes expliciteren.

**Outline van de thesis**

Het eerste deel van deze thesis gaat in op de niveaus van en veranderingen in minimuminkomensbescherming voor verschillende doelgroepen.
Hoofdstuk 1, dat ik samen met Natascha Van Mechelen schreef, bespreekt de minimuminkomensmaatregelen voor de niet-werkende bevolking op actieve leeftijd, in de verschillende EU landen en drie staten van de VS. Het gegarandeerde minimuminkomen waar deze doelgroep normaliter recht op heeft, rekening houdende met zowel bijstandsuitkeringen als met aanvullende uitkeringen, volstaat niet om gezinnen te beschermen tegen het risico op armoede. In de jaren '90 erodeerde dit gegarandeerde minimuminkomen in nagenoeg alle Westerse welvaartsstaten. Voor de jaren 2000 daarentegen is de trend minder algemeen. Sommige landen maakten van de strijd tegen armoede een prioriteit, en zagen het verhogen van de minimuminkomens daarin als een belangrijke pijler. Dit was bijvoorbeeld het geval in Ierland. Elders waren hervormingen niet zozeer gericht op het bestrijden van armoede, maar eerder om mensen terug aan het werk te krijgen. Vaak was erosie echter niet het gevolg van een hervorming, maar van inadequate indexeringen die niet gecompenseerd werden door actief ingrijpen van de overheid.


Het derde hoofdstuk, geschreven samen met Tim Goedemé, kaderd de trends in minimuminkomensbescherming voor de werkende en niet-werkende bevolking op actieve leeftijd door een vergelijking met de bodembescherming voor een volledig verschillende doelgroep: de ouderen. Deze vergelijking is interessant omdat de shift naar activering in beleid en beleidsdiscours voor deze doelgroep minder sterk van toepassing is. Desalniettemin ziet het er ook voor deze doelgroep naar uit dat minimuminkomensbescherming aan belang zal winnen, door de teloorgang van standaard carrières gepaard met een versterking van de band tussen bijdragen en pensioenuitkeringen (Zaidi, Marin & Fuchs, 2006). Dit hoofdstuk toont dat
minimuminkomensbescherming voor de ouderen in quasi alle onderzochte landen steeg, in tegenstelling tot de bodembescherming voor de niet-werkenden op actieve leeftijd.

Het tweede deel van deze thesis onderzoekt wat er gebeurde met minimuminkomensbescherming voor de niet-werkende bevolking op actieve leeftijd tijdens de crisis.


In de update van dit hoofdstuk (hoofdstuk 5), kijken we naar beleidsveranderingen genomen in de periode 2008 tot 2012. Het is duidelijk dat vanaf 2010 een omslag plaatsvond, met sterke focus op besparingsmaatregelen. Ondiep waren dit in de meeste gevallen geen grootschalige hervormingen. Wel grepen beleidsmakers terug naar de activeringsagenda die populair was voor de start van de crisis. De sterkste snoeioperaties gebeurden in die landen die sterk te lijden hadden onder de crisis. De veranderingen waren bovendien eerder technisch, en moeilijk waar te nemen.

Deel 3 kijkt vanuit een expliciet activeringsperspectief naar minimuminkomensbescherming voor de werkende en niet-werkende bevolking op actieve leeftijd.

In hoofdstuk 6 onderzoek ik samen met Ive Marx de beleidsmaatregelen die werkenden steunen. We kijken hiervoor naar veranderingen in minimumlonen ten opzichte van de ontwikkeling van de algemene levensstandaard, aanvullende uitkeringen en belastingen. We vinden veel aanwijzingen voor bijkomende minimuminkomenssteun aan werkende gezinnen sinds 2001. Deze steun komt haast overal in Europa voornamelijk eenoudergezinnen ten goede, in vergelijking met broodwinnergezinnen. Ook wordt er in verschillende landen gekeken naar het belastingstelsel als manier om aanvullende steun te verstrekken.
In hoofdstuk 7 onderzoeken Natascha Van Mechelen en ik hoe activering en activeringsvereisten gestalte krijgen in de minimuminkomensbescherming voor de niet-werkende bevolking in de Europese lidstaten. In dit hoofdstuk vertrekken we expliciet vanuit het actieve inclusie concept dat door de Europese Commissie ontwikkeld werd als een leidraad voor de activering van kwetsbare groepen. We passen een fuzzy set ideaaltype analyse toe op nieuw ontwikkelde indicatoren van adequaatheid, diensten, gedragsstimuli en beleid dat het arbeidsmarktpotentieel van bijstandsgerechtigden versterkt, en vinden dat nagenoeg alle EU lidstaten voluit gaan voor een vorm van activering in hun minimuminkomensstelsels. Deze activeringsstrategieën sluiten echter zelden aan bij het vrij positieve “actieve inclusie” type gepropageerd door de Europese Commissie. In de meeste lidstaten krijgen meer negatieve elementen, zoals sancties en strikte gedragsvoorwaarden, duidelijk voorrang op ondersteunende diensten of begeleiding.

Ten slotte kijk ik in een laatste vierde deel (hoofdstuk 8) samen met Bea Cantillon naar hoe minimuminkomensbescherming voor de werkenden en niet-werkenden op elkaar ingrijpen. Wat is de relatie tussen minimuminkomensbescherming voor de werkende en de niet-werkende bevolking op actieve leeftijd? Kan de EU lessen trekken uit die verschillen, en zit hier een opportuniteit in voor het Europees sociaal beleid? We vinden dat de EU lidstaten sterk verschillende combinaties nastreven in de balans van minimuminkomensbescherming voor werkenden en niet-werkenden, met verschillende financiële incentives om werk op te nemen, en met sterk verschillende verantwoordelijkheden voor de staat (bijkomende steun) versus de arbeidsmarkt (minimumlonen) voor het garanderen van een adequaat inkomen aan werkenden. Toch zijn er een aantal gemeenschappelijke trends. Zo vergrootte de kloof tussen minimuminkomensbescherming voor de werkenden en de niet-werkenden quasi overal. Bovendien steeg ook de bijkomende overheidssteun voor de werkende gezinnen. We stellen in het hoofdstuk voor om beleidsindicatoren die deze verschillende beleidskeuzes kunnen vatten op te nemen in de EU monitoring van sociaal beleid: de adequaatheid van het gegarandeerde netto minimuminkomen voor niet-werkende gezinnen en voor gezinnen met een voltijds werkende volwassene, de kloof tussen beide minima, het minimumloon en de bijkomende overheidssteun voor gezinnen met een voltijds werkende volwassene. Dit zou de sterk verschillende beleidskeuzes expliciet maken.