

## **The structural nature of the inadequate social floor for single-parent families**

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An important factor explaining the triple bind many single-parent families are confronted with – especially the lower skilled among them – is related to the structural inadequacy of minimum income protection. Disposable incomes of jobless parents on social assistance fall short almost everywhere. The inadequacy and further erosion of the social floor protecting single-parent families has been the subject of extensive discussion in the literature. During the 1990s, the overall picture was one of almost uniform decline of benefit levels relative to average wages and the poverty threshold. The picture was less uniformly negative from 2001 onwards (Caminada et al., 2010; Nelson, 2008, 2013; Van Mechelen & Marchal, 2012, 2013). Studies into the factors contributing to processes of change in which welfare states have been caught up typically point to either structural, external or institutional forces on the one hand, or policy-related factors on the other. Some point to external pressures associated with globalisation and international economic integration (Lazar & Stoyko, 1998; Pierson, 2001; Scharpf & Schmidt, 2000). It has been argued that a ‘race to the bottom’, induced by globalisation, is further intensified by both a fear of welfare tourism – especially in the wake of the Eastern enlargement of the EU (Kvist, 2004) – and the negative impact of domestic challenges, such as ageing populations, technological change and eroding distributional capacities of traditional social protection systems (Kleinman, 2002). Many authors have shown the impact of growing concerns about inactivity traps linked to employment-centred welfare-state reforms (Bonoli, 2011; Eichhorst & Konle-Seidl, 2008; Kenworthy, 2008, 2011; Starke & Obinger, 2009). Others point to large variations across countries due to laws of path dependence (Huber & Stephens, 2001; Pierson, 2001), the role of partisan politics

(Klitgaard et al., 2015), the strength of social dialogue and the specific characteristics of the minimum social floor. Bonoli and Palier (2000) demonstrated that government-run and tax-financed schemes that provide flat-rate benefits are more vulnerable to cuts than benefit schemes, where benefit levels depend on contribution records and where trade unions are involved in the management and financing. Scholars have also argued that schemes targeted at population groups seen as the ‘undeserving poor’ are especially prone to cutback measures (Van Oorschot, 2006).

In this chapter, we introduce an additional hypothesis explaining the structural inadequacy and further erosion of the minimum social floor. In the ‘fabric of the welfare state’ there is a hierarchy of incomes; in general terms, the disposable income of low-wage earners should be higher than the minimum incomes for jobless people. Therefore, we hypothesise that *structural downward pressures on low wages might squeeze the social floor, making it increasingly difficult for welfare states to guarantee adequate income protection for work-poor households*. This is especially a problem for single-parent families because they rely on one single income, while double incomes increasingly impact median household incomes.

This might refer to the advent of a **social trilemma**: as a three-way choice between budgetary restraint, inequality and employment growth.<sup>1</sup> As a consequence of skill-biased technological change and increased competition from newly industrialising countries, it is generally assumed that it has become difficult for modern welfare states to successfully pursue their core objectives of full employment and social inclusion (Kenworthy, 2008). In the simple but accurate words of Tony Atkinson: ‘either unskilled workers become unemployed or they see their real pay fall’ (Atkinson, 2013, p. 10). Only raising the minimum wage to a living wage or increasing social spending to compensate for falling low wages (via tax credits, child benefits, in-kind services or other forms of subsidies for low productive work) could mitigate this situation. The structural inadequacy of minimum income protection for single-parent families might point to this social trilemma: as a consequence of the insufficiency of minimum gross wages for single parents, even in welfare states with traditionally rather compressed wage distributions it might have become increasingly difficult to successfully combine adequate minimum income protection and reasonable incentives to work without additional welfare-state efforts. In this way, the resources and employment elements of the ‘triple bind’ introduced in this book might be connected to welfare-state policies failing to adequately compensate for the structural

pressures on low-paid work and for changes in median household incomes.

## The 'glass ceiling' of adequate minimum income protection

Table 18.1 presents results based on simulated incomes of hypothetical households, where the adequacy of incomes is defined as the percentage they represent in relation to the poverty threshold, defined as 60% of median equivalised household income. We see that, admittedly with large cross-country variations, in all countries the net disposable income of single parents working on a minimum wage (column 2) is higher than the income in case of noninsured joblessness (the so-called 'social floor' in column 1). So devised, disposable incomes of

**Table 18.1: The adequacy of the social and wage floors, gross-to-net efforts and incentives to work, single parent with two children, 2007**

	Adequacy social floor (%)	Adequacy wage floor (%)			Net-of-tax rate on participation (%)
	Net	Net	Gross	Effort/gain	
Denmark	109	122	123	-1	11
Netherlands	91	104	84	24	15
Belgium	88	102	92	11	16
United Kingdom	86	125	81	54	47
Austria	82	88	76	16	8
Germany	81	124	93	33	46
Finland	80	111	78	43	39
Sweden	76	123	110	11	43
France	74	110	96	15	37
Average	85	112	93	23	29

*Notes:* **Net** income: wage or social assistance, housing, family and in-work benefits, income taxes, social contributions; **Adequacy** social floor and wage floor: net income as percentage of poverty line; **Effort/Gain**: (net income in work – gross wage)/gross wage; **Net-of-tax rate on participation**:  $1 - ((\text{in work: taxes} - \text{benefits}) + (\text{out of work: benefits} - \text{taxes}))/\text{gross wage}$ . We use series of statutory minimum wages with the smallest time unit available (since for some countries we only have hourly data), and in countries without statutory minima, hourly minima in collective agreements including cleaning (Austria: wage group four and regions including Vienna; Germany: west regions including Berlin; Finland: regions including Helsinki). When necessary, we assume 40 hours of work weekly which is consistent with the tax-benefit models. Children are aged 4 and 6. Housing costs represent the median rent for a relevant two-bedroom apartment in each country. The housing cost corresponds to 2006, which is extrapolated to 2007 (and other years later) by keeping the ratio between the cost and household median income constant.

*Source:* Statutory minimum wages and policies from OECD; collective agreements from WKO (AT), WSI (DE), DA (DK), PAM (FI) and ALMEGA (SE); poverty lines from Eurostat; housing assumptions and costs from Van Mechelen et al (2011)

minimum-wage earners are to be considered as a **glass ceiling** of minimum income protection. It is reasonable to assume that, at least for reasons of legitimacy and fairness, welfare states must always respect a certain hierarchy between the incomes from work and the incomes for people out of work.

As a first step towards understanding the reasons for the inadequacy of the social floor, it is thus important to know how low wages compare to the poverty threshold. It appears that for single parents with two children, in all countries displayed in Table 18.1, a single gross minimum wage is below the poverty threshold (or they are ‘earnings poor’, as defined by Horemans & Marx, Chapter Nine in this book), with the notable exceptions of Denmark and Sweden and with large variations between countries (see column 3). Deficits are the largest in Austria, Finland and the UK.

By adding family, housing and in-work benefits (for example, tax credits and child benefits), welfare states substantially increase incomes available to families on minimum wages. These ‘gross-to-net cash *gains*’ for families and corresponding ‘gross-to-net *efforts*’ for welfare states are displayed in column 4. The largest gains/efforts are generally recorded in the countries with the largest shortfalls of minimum wages (that is, the UK and Finland, with Austria being more of an exception). This suggests that countries where gross minimum wages are relatively low tend to accommodate this shortfall with higher tax and benefit expenditures. In most countries, these net compensations are sufficient to lift household incomes of working single parents above the poverty line. However, in Austria it remains somewhat below the poverty threshold, and in some countries it does not go far above this threshold.

Unsurprisingly, then, the disposable incomes of jobless households on social assistance fall short in almost all countries, ranging from a low 74% of the poverty threshold in France to the only adequate 109% in Denmark, as shown in column 1 of Table 18.1. However, differences in work incentives across countries are very substantial (Horemans and Marx further explore this variation in Chapter Nine to study earnings poverty *outcomes*, finding an important impact of incentives). We represent the financial gain of moving from unemployment to employment using net-of-tax rates on participation (NTRPs) (see, for example, Kleven, 2014). NTRPs measure the proportion of household earnings not taken in (effective) tax and withdrawn benefits when transitioning to employment. NTRPs fluctuate from a very strong 47% in the UK (that is, 53% of the minimum wage is taken in taxes and withdrawn benefits) and 46% in Germany to a very weak 8% in Austria and 11% in Denmark.

As a general rule, there seems to be an inverse relationship between the adequacy of the minimum income protection for jobless households and the financial work incentives; some countries with relatively adequate social protection display rather low work incentives (see, for example, Denmark and the Netherlands), while in some countries where work incentives are relatively high the adequacy of the minimum income packages is below average (see, for example, France and Sweden). However, there are important deviations from this pattern: thanks to a relatively high ‘gross-to-net effort’, the UK combines a low gross minimum wage with the highest work incentives and an average social floor, while Austria scores poorly on all indicators.

Altogether, no single country succeeds in simultaneously combining an above-average score on both adequacy and work incentives with below-average welfare-state efforts to increase the household disposable incomes of low-wage earners. Arguably, this is the reflection of the aforementioned social trilemma. Across countries, there are large differences in balancing the three dimensions. Only Denmark seems to be able to tilt the balance towards an adequate social floor.

### **Driving forces of the erosion of the social floor**

We now turn from levels to trends: how did the adequacy of minimum income protection evolve in recent decades? In Table 18.2 and Figure 18.1, we compare the evolution of the disposable income of jobless single parents on social assistance (row 4 and dotted-dashed line) to the evolution of the poverty threshold (row 1 and solid line). In Figure 18.1, the amounts are expressed as a percentage of the poverty line and in logarithmic scale (the poverty line is fixed to zero because the logarithm of 100% is zero). In this way, parallel lines indicate equal growth. For instance, in France, the social assistance package (indicated as ‘jobless income’ in Figure 18.1) had a growth only slightly less than the poverty line, which is reflected in the practically parallel solid and dotted-dashed lines.

It appears that, in most countries, the shortfall of minimum income protection packages for single parents has grown: in two thirds of countries, the pace of growth of disposable incomes of households on social assistance has been lower than the increases of median household incomes. Differences have been generally larger than one percentage point per year. In Sweden and the UK, gaps increased with almost three percentage point per year. By contrast, in Austria, Belgium and

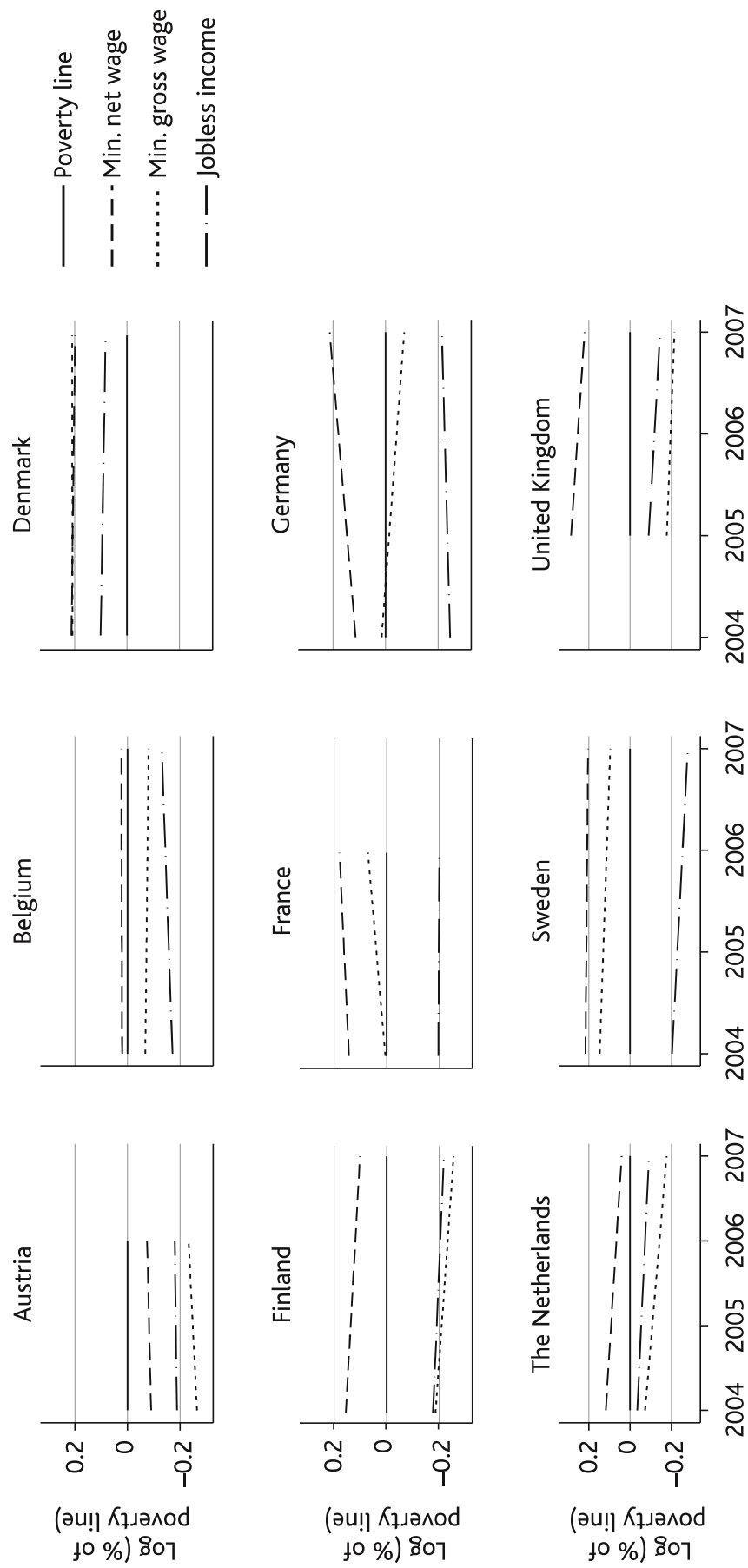
Table 18.2: Real growth of poverty lines, minimum wages and social and wage floors, 1993–2000 and 2004–07 (in percentage per year)

Period (200–)	AT	BE	DE	DK	FI	FR	NL	SE	UK
Poverty line	4–6	4–7	4–7	4–7	4–7	4–6	4–7	4–7	5–7
Minimum gross wage	(1) –0.8	0.5	1.9	1.3	3.1	–0.3	3.2	4.8	4.5
Minimum net wage	(2) 0.8	0.1	–1.0	1.3	0.6	3.0	–0.4	2.9	2.5
Net income when jobless	(3) 0.0	0.6	5.6	0.8	1.1	1.5	0.5	4.4	1.0
	(4) –0.4	1.9	3.1	0.6	1.6	–0.5	1.2	2.0	1.5
Period (199– or 200–)	4–0	4–0	4–0	3–0	5–0	4–9	4–9	6–0	4–8
Poverty line	(5) 0.5	1.2	2.8	1.6	2.5	0.8	4.9	2.3	1.6
Minimum gross wage	(6) 1.4	–0.1	–0.2	0.8	1.7	1.6	0.1	3.0	n/i

Note: see Table 18.1; the minimum wage in the UK was implemented in 1999 and in Denmark during the 1990s corresponds to the agreement where retail is included.

Source: see Table 18.1; poverty lines calculated by the authors from ECHP during the 1990s for Denmark and Sweden; collective agreements in Austria during the 1990s from KV-system; Harmonized Index of Consumer Prices (HICP) from European Central Bank, except for Germany and the UK where we use OECD ICP

Figure 18.1: Evolution of minimum wages and social and wage floors in relation to poverty lines, 2004–07 (in log of percentages)



Note: see Tables 18.1 and 18.2.

Source: see Tables 18.1 and 18.2



Germany the social floor evolved at a faster pace than the poverty threshold.

The erosion of the social floor compared to median household incomes could have been related to three different mechanisms: 1) a **‘poverty line’ effect**: the median household income growing faster than individual incomes of the active age population; 2) a **low-wage effect**: low wages lagging behind median household incomes; 3) a **policy effect**: ‘gross-to-net welfare state efforts’ decreasing and/or the growth pace of minimum incomes being slower than that of net low wages.

### Poverty line effect

Understanding the dynamics of median equivalised household income is a complex issue. First, this indicator depends on many factors, such as the level and distribution of individual incomes; the structure of households; how the latter is expressed in an equivalence scale; the number of earners within households, and so on. Second, the median is a function of the *position* of incomes in the distribution; therefore, not all income changes modify the median. For instance, top wages have little (or no) impact on the position of median household incomes. As Aaberge and Atkinson (2013) put it, the median household income acts as a ‘watershed’, in the sense that changes on one side of or crossing the median have different effects on it.

In this way, there are several developments that might have induced different trends in median equivalised household incomes and single-parent incomes. Arguably, the benchmark (that is, the median-based poverty threshold) against which the incomes of single parents are compared might have increased due to the growing number of dual-earner households (as argued, but not proven, by Marx et al., 2012, 2013), making it increasingly difficult for one-earner households to keep up with the poverty threshold. According to our own calculations,<sup>2</sup> the proportion of multiple-earner households compared to single-earner households has increased practically everywhere. This generally ranged between half and two percentage points per year – except in Sweden and the UK during the 1990s and Denmark and Finland between 2004 and 2007, where the proportion remained rather stable. In this regard, Thewissen et al. (2016) decomposed changes in the mean household income of the 5th decile (just below the median) in Denmark (and the US) from 1985 to 2011, and found that spouses’ wages were of growing relevance.<sup>3</sup> This provides an approximation of what might have affected median equivalised household incomes.



**Homogamy** and the ‘**diverging destinies**’ thesis might also have moved the median further away. Homogamy refers to the fact that couples are increasingly formed by partners with similar ‘resources’, while the diverging destinies thesis assumes that new social risks (such as single parenthood) have tended to concentrate among people with fewer of those resources. Härkönen (Chapter Two in this book) found that the latter is indeed the case among low-educated women in many current societies. Thus, it might be the case that median incomes are driven away by more stable and resources-rich dual-earner couples. In addition, median household incomes may have increased because of a *relative improvement* of incomes of elderly households. All these factors might point to increasing structural obstacles to closing the gap between the wage and the social floor for single-parent families on the one hand and the poverty threshold on the other. To complement all these observations, in Table 18.3 we provide descriptive evidence of the evolution of median equivalised household income without elderly households and median individual income of working-age people. We observed that both trends evolved at a similar pace, as only in the UK, the Netherlands and recently Germany have household incomes annually grown more than one percentage point compared to individual incomes.

## Wages under pressure

We now turn to the wage effect. In relation to minimum wages as the floor for incomes from work, not many authors have compared them to poverty thresholds – certainly not in a long-term perspective. Some of the few authors who have done this for the countries with statutory minima are Marx et al. (2013), who showed how in France and (slightly) in Belgium between 2001 and 2009 the tendency was negative, while in the UK the growth of minimum wages surpassed poverty lines.<sup>4</sup> Our analysis (which also incorporates minimum wages in selected collective agreements) indicates that before the crisis in the 2000s, in all countries but Austria, Denmark and France, minimum (gross) wages sank in relation to poverty lines (rows 2 and 1 in Table 18.2 and dotted and solid lines in Figure 18.1). Besides Belgium, this occurred practically everywhere with more than two percentage points per year. During the 1990s, the general situation was similar (rows 5 and 6). The dragging of minimum wages was most outspoken in the Netherlands, where a relatively strong increase of the median-based poverty threshold went along with a low wage growth. In the 2000s, in most of the countries considered here there

Table 18.3: Real growth of median equivalised household income without elderly households and median individual income of working-age people, 2004–07 and 1993–2000 (in percentage per year)

	AT	BE	DE	DK	FI	FR	NL	SE	UK
Period (200–)	4–6	4–7	4–7	4–7	4–7	4–6	4–7	4–7	5–7
Eq. median household income w/o elderly (1)	–1.0	0.7	2.7	1.1	3.3	–0.5	3.4	4.9	3.4
Median individual income of working-age (2)	–1.6	0.7	0.7	1.4	2.8	0.5	2.2	4.4	1.1
Period (199– or 200–)	4–0	4–0	4–0	3–0	5–0	4–9	4–9	6–0	4–8
Eq. median household income w/o elderly (3)	0.4	1.2	1.4	1.6	2.7	0.8	1.8	2.4	2.2
Median individual income of working-age (4)	–0.3	0.9	0.6	1.4	2.4	0.4	–0.1	1.9	2.1

Notes: median individual income of people with earned incomes higher than zero. In EU-SILC, individual incomes are calculated as the sum of individual components, plus household components per household member and taxes assigned proportionally to individual components.

Source: see Table 18.2; calculated by the authors from ECHP 1994–2001 and EU-SILC 2005–2008

is evidence for a wage effect, which might explain downward trends of minimum income protection. As a consequence of the decline of gross minimum wages compared to median household incomes, the policy effort required to lift minimum incomes of working single parents up to the poverty line has become more demanding.

## Running harder to stand still

Most welfare states reacted to the drifting away of wages compared to median incomes and started to work harder in order to make work pay. Between 2000 and 2005, in all countries but Austria, taxes and social contributions for single individuals on minimum wages or low wages (defined as below 67% of average wages) diminished (Immervoll, 2007). These efforts might have allowed low net wages to follow poverty lines in some countries. Marx et al. (2013) documented that, indeed, in Belgium the negative trend of minimum wages against poverty lines was counteracted for single parents due to these efforts and increases in other type of benefits.

Our analysis in Table 18.2 and Figure 18.1 shows that in over (just) half of the cases considered here net minimum wages (row 3 and dashed line) grew faster than gross minimum wages.<sup>5</sup> However, welfare states' reactions varied largely across countries. A more detailed analysis (available upon request) of the same underlying data shows that increasing efforts in terms of family benefits (in relation to gross wages, as defined in Table 18.1) were recorded in Germany and Belgium, and also in terms of household benefits (for example, social assistance top-ups and housing benefits) in Germany. In-work benefits became more important in Sweden, while rising tax reductions were particularly strong in Finland. At the same time, household benefits decreased in France and in-work benefits in the UK.

Importantly, although closing the gap between the sluggish growth of the wage floor and median household incomes was a fairly general trend in rich European welfare states, only in Germany and Belgium has the growing gap effectively been offset by increasing welfare-state efforts.

Going down to the lowest level of the income cascade, we observe that in slightly more than half of the cases, minimum-income packages for jobless families (row 4 in Table 18.2 and dotted-dashed line in Figure 18.1) developed at a slower pace than net minimum wages, pointing to cuts in benefit levels or non-indexation vis-à-vis net wages. However, the falling behind of the social floor compared to the wage floor was less strong than the sinking of net wages, and much less

compared to the falling of gross wages (the latter two vis-à-vis the poverty threshold). In some cases, the social floor grew even faster than the wage floor. Again, we observe large cross-country differences. Notwithstanding significant gross-to-net efforts for working single parents in Sweden, the thus-created room to manoeuvre (represented in Figure 18.1 by the growing distance between the dashed and dotted-dashed lines) has not been used to close the gap between the social floor and the poverty threshold; on the contrary, work incentives were clearly prioritised, to the detriment of welfare generosity towards jobless households. In Denmark, we observe a similar trend (although less pronounced), and protection levels remained adequate for both in-work and jobless families. In Finland, the Netherlands, Belgium and particularly Germany, the room to manoeuvre created through increased gross-to-net efforts has effectively been used – at least partially – to increase social assistance packages, most of the times beyond the growth of net minimum wages. Especially in Belgium, the latter occurred to the detriment of work incentives.

### **Discussion and conclusion: which way forward?**

The main findings of our investigation can be summarised as follows. *First*, gross minimum wages are highly inadequate for single parents, even in countries with traditionally rather compressed wage distributions and strong social dialogue. Denmark and Sweden are the only two exceptions to this rule. *Second*, in most countries gross-to-net compensations are sufficient to lift household incomes of fulltime-working single parents above the poverty line. *Third*, with the notable exception of Denmark, the social floor for jobless households is inadequate almost everywhere. The observation that in the past few decades this shortfall has grown begged the question to what extent this was related to the sliding away of the wage floor compared to median household incomes. Our analysis points to a mixed picture. We observed that in around half of the cases, minimum-income packages for jobless families developed at a slower pace than net minimum wages, pointing either to cuts in benefit levels or non-indexation vis-à-vis net wages and/or to increasing gross-to-net efforts. However, the falling behind of the social floor compared to the wage floor was less strong than the sinking of net wages, and much less compared to the falling of gross wages vis-à-vis the poverty threshold. In some cases, the social floor grew even faster than the wage floor.

Many of the rich European welfare states started to work harder to mitigate, rather than retrench, the growing gap between the wage floor

and the poverty threshold. This created the room to manoeuvre to either increase work incentives and/or support the incomes of single parents at the bottom. These efforts, however, were by far insufficient to close the gap between the social floor and the poverty threshold.

The widespread deficits of gross minimum wages for single parents with children indicate severe structural difficulties to reduce income poverty among them; as a result of the inadequacy of minimum wages for single parents with children and additional downward pressures in most of the countries under review in this chapter, it seems impossible to successfully combine adequate minimum-income packages for working and nonworking single parents with children on the one hand and reasonable incentives to work on the other without increasing welfare-state efforts. Previous mechanical calculations have shown that the redistributive effort required to lift all household incomes to 60% of the median household income would range between 1.6% of total disposable income in Austria and 2.7% in Denmark, if the impact on unemployment traps is not taken into account (Vandenbroucke et al., 2013). However, the figures shown in this chapter suggest that the effort is much more important when ‘gross-to-net efforts’ to maintain work incentives are taken into account. In a recent paper with the suggestive title ‘The end of cheap talk about poverty reduction’, we showed that it would require around two times the budget needed just to lift the social floor to the poverty threshold (Collado et al., 2016). These costs would evidently become increasingly large if in the future minimum wages would continue to drift away from the middle.

In general terms, this might be the reflection at the macro-level of the advent of a ‘social trilemma’: a three-way choice between budgetary restraint, inequality and employment growth. As a consequence of skill-biased technological change and increased competition from newly industrialising countries, it is generally assumed that it has become difficult for modern welfare states to successfully pursue their core objectives of full employment and poverty reduction (Cantillon & Vandenbroucke, 2014). Not unjustly, it has been suggested that social investment strategies may provide a way out of this trilemma (Hemerijck, 2012). Arguably, the better welfare states are in raising the productive capacities of people, the less demanding redistributive policies will have to be. But partly because there are limits to this strategy, it remains equally important to provide adequate social floors for all.

To combat poverty among single-parent families, welfare states must simultaneously fight unemployment traps and raise minimum-income packages for working and nonworking families. Some countries should consider an increase of gross minimum wages; others will first and

foremost have to rebalance social floors and work incentives; while yet another group of countries should raise beforehand net low wages.

Our analysis was not complete. The presented results are limited to a rather short time span and a limited number of countries, considering *incomes* only. Possibly, changes in *spendable* incomes paint a more qualified picture. Cost compensations and in-kind services can indeed be used as an alternative way out of the trade-off between adequate income protection and work incentives (see Kleven, 2014; NTRPs in Scandinavia are less severe when this is considered). Governments can, moreover, reinforce nonfinancial (dis)incentives to work rather than merely focusing on financial incentives. In addition, if we considered the income distribution more in general we could study other developments, such as changes in other wages, policies (for example unemployment benefits) and employment conditions (for example, temporary and part-time work). The degree to which the ‘glass ceiling’ holds in a specific country may furthermore highly depend on numbers; when only a small number of people are on minimum wages or live in a jobless household, it may be easier to cope with financial unemployment traps. Similarly, the degree of the ‘social trilemma’ depends on the effectiveness of activation measures and the poverty–revenue balance generated by the taxes collected and benefits paid (in terms of both *numbers* and *levels*) to people in and out of work. With welfare states running harder to stand still, these observations indicate where future research is needed.

## Notes

- <sup>1</sup> We use the notion of ‘social trilemma’ in a more generic manner than Iversen and Wren (1998). In their influential paper, they were referring to wage inequality and public outlay for wages only.
- <sup>2</sup> Based on the European Community Household Panel (ECHP) and the European Union Statistics on Income and Living Conditions (EU-SILC).
- <sup>3</sup> However, it is important to bear in mind that by using cross-sectional data, the authors cannot distinguish changes in shares of an income source (for example, spouses’ wages) from a change in composition due to households switching deciles (for example, more dual earners in the middle).
- <sup>4</sup> A more common benchmark for minimum wages are median ones. In this regard, previous research found that, between 2001 and 2005, minimum wages in the Netherlands generally followed median wages. In Sweden, minimum wages in the collective agreements of retail and hotel & restaurant grew markedly more than (all) median wages, while



minimum wages in the agreement of engineering grew somewhat less than them (Vaughan–Whitehead, 2010). In other countries without statutory minimum wages – such as Austria, Germany, Denmark and Finland – one can get a grasp of the low-wage sector by looking at the evolution of the ratio between median and first decile wages. Between 2004 and 2007, this ratio grew more than 1.3% in these countries (OECD, 2014).

- <sup>5</sup> These trends are in line with comparisons across a larger number of countries (Marchal & Marx, 2015).

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