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Reference:

Marchal Sarah, Van Mechelen Natascha.- A new kid in town? Active inclusion elements in European minimum income schemes

Social policy and administration - ISSN 0144-5596 - 51:1(2017), p. 171-194

Full text (Publisher's DOI): <http://dx.doi.org/doi:10.1111/SPOL.12177>

To cite this reference: <http://hdl.handle.net/10067/1289440151162165141>

A new kid in town? Active inclusion elements in European minimum income schemes

Sarah Marchal

PhD fellow from the Research Foundation – Flanders (FWO), Herman Deleeck Centre for Social Policy, University of Antwerp

Natascha Van Mechelen

Herman Deleeck Centre for Social Policy, University of Antwerp

Version forthcoming in Social Policy and Administration

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.

Keywords: activation strategy, fuzzy set ideal type analysis, active inclusion, minimum income schemes, EU social policy

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 *et al.* 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.

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 (Vandenbroucke and 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 2008: 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 2008: 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.

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 and Ludwig-Mayerhofer 2004; Eichhorst and 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 and 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 (Torfing 1999; Barbier and Ludwig-Mayerhofer 2004;

Dingeldey 2007; Bonoli 2011; Leibetseder 2014). 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 (Dingeldey 2007; Bonoli 2011; Bengtsson 2014). 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 (Eichhorst and Konle-Seidl 2008; Bonoli 2011; 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 (Torfing 1999; Aurich 2011; Heidenreich and Aurich-Beerheide 2014).

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 (with Torfing 1999; and Barbier and Ludwig-Mayerhofer 2004 as straightforward examples). 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.

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.

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.

Data & Method

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 and 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 (Lipsky 1980; Kazepov 2010; Minas *et al.* 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 3). Indicators are based on national or local laws and policy guidelines in order to gauge *non-discretionary* activation policies.

Method

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; Ragin 2000; Schneider and 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 1). 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 2). 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).

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 1). 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 (Torfing 1999; Dingeldey 2007; Etherington and Ingold 2012). A prime example is the employment assistance type by Bonoli (2011) (cf. supra). In Table 1 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 and Kühner 2009) are logically possible (see table 1).

Table 1. Logically possible combinations of the four active inclusion aspects

	Adequate income support	Enabling policies	Incentives	Access to quality services
PURE TYPES				
Active inclusion	+	+	+	+
Enabling	-	+	-	-
Incentives	-	-	+	-
Comprehensive	-	+	+	-
Passive protection	+	-	-	-
HYBRID TYPES				
Enabling +	+	+	-	-
	-	+	-	+
Incentives +	+	-	+	-
	-	-	+	+
Active inclusion -	-	+	+	+
	+	-	+	+
	+	+	-	+
	+	+	+	-
Passive protection +	+	-	-	+
NO MAIN FOCUS				
	-	-	-	-
	-	-	-	+

Table 2. Operationalization and calibration

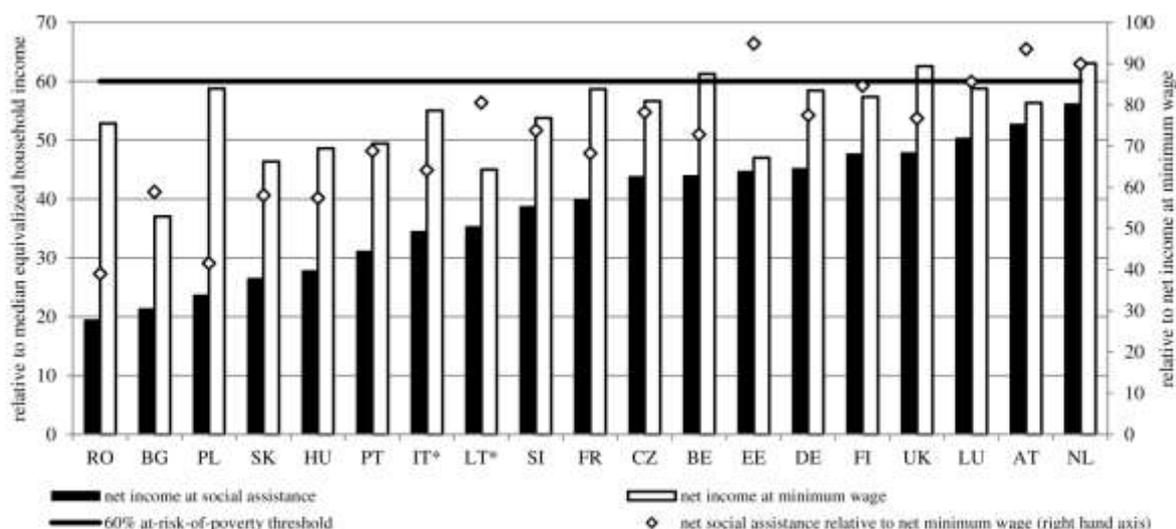
	0 Fully out	[0.01-0.17[Almost fully out	[0.17-0.33[Fairly out	[0.33-0.5[More or less out	0.5 Nor more in or out	]0.5-0.67[More or less in	[0.67-0.83[Fairly in	]0.83-1[Almost fully in	1 Fully in
Adequate income support									
Net MIP income relative to median eq. hh income, average over 4 family types	40%	]40-43.4[	[43.4-46.6[	[46.6-50[	50%	]50-53.4[	[53.4-56.6[	]56.6-60[	60%
Time limits	yes								No
Enabling									
Range of ALMP types available to MIP recipients	≤ 1		0.25: 2		2, incl. training		0.75: all 3		3, training most likely
Net MW income relative to median eq. hh income, average over 4 family types	40%	]40-43.4[	[43.4-46.6[	[46.6-50[	50%	]50-53.4[	[53.4-56.6[	]56.6-60[	60%
Incentives									
Net MIP income relative to net MW income, average over 4 family types	90%	]90-86.3[	[86.3-82.8[	[82.8-79.1[	79.1	]79.1-75.4[	[75.4-71.9[	]71.9-68.2[	68.2%
Severity of sanctions	None	0.17: <50%, <1m		0.34: <50%, 1m	≥50%, ≤1m	0.67: ≥50%, >1m		0.83: 100%, ≤1m	100%, >1m
Number of characteristics of a reasonable job offer	3			0.33: 2			0.67: 1		None
Presence of workfare	No								Yes
Services									
Share of child care costs in net MW income of a lone parent	30%	]30-24.5[	[24.5-21.1[	[21.1-16.5[	16.5	]16.5-11.9[	[11.9-7.6[	]7.6 – 3[	3%
Range of services likely available to MIP recipients in large cities	0	0.09: 1	0.18: 2	0.36: 4		0.55: 6	0.73: 8	0.91: 10	all 11 possible types

Note: 9-value fuzzy set labels as proposed by Kvist (1999: 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 (Vis 2007; Thiem 2010: 10; Ciccia and Verloo 2012; Hudson and Kühner 2012). 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

The active inclusion elements

Table 2 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 2 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 1. Average net disposable income of four model families depending on social assistance and minimum wage, relative to median equivalent household income, 2012



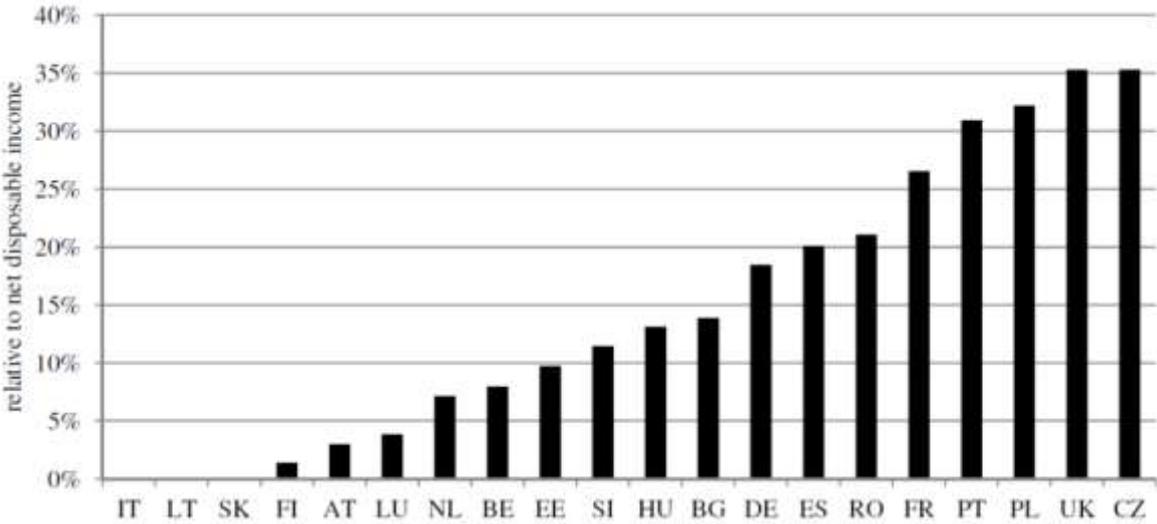
Note: Model families included are a single and couple both with and without two children (aged 7 and 14). Social assistance case: no income other than provided through the tax-benefit system. Simulations for LT and IT assume full-year receipt. See note to table 3 for assumptions regarding locality. Minimum 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 (Author 2011); median equivalent 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 2). 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 income¹ (figure 2). In Italy, Lithuania and Slovakia (former) MIP recipients are in principle even entitled to free child care. The full range of available 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 3 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 2. 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 3). Simulations take account of rights-based child care tax credits or benefits. Where no statutory

¹ 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 and 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).

minimum wage exists, proxies are used (see note to figure 1). 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 (Author, 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 4 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 2). Even though financial incentives are generally lower in countries with more generous minimum income support (see figure 1), only in Austria and Estonia do net benefits exceed 90% of minimum wage income². In contrast, the 2009 French minimum income reform brought net MIP benefits to 68.2% of a full-time net minimum wage³, 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 2).

Membership scores⁴ to the enabling dimension are less outspoken (table 3). 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

2 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.

3 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.

4 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).

broader range and a substantial human capital development component considered to be more enabling (Bonoli 2011; Goerne 2012) (see table 2). We distinguish between three - admittedly broad - types of active labour market programmes: training, employment experience in the public sector and in the private sector⁵. 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 2). A straightforward yet narrow indication is whether low income jobs protect against poverty (see figure 1). 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.

5 This distinction is loosely based on the classification in Martin, J. P. and Grubb, D. (2001). What works and for whom: a review of OECD countries' experiences with active labour market policies, *Swedish economic policy review*, 8, 9-56. 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 3. Set membership scores

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

Note: ^a Main decision making authority in each of the four strands is the regional or local government.

AT: Vienna, IT: Milan; ^b Main decision making authority is the regional or local level for incentives and services, or mixed. BE: Antwerp, HU: city > 40000 inhabitants; ^c Main decision making authority is the regional or local level (or mixed) for services. CZ, FI, LT: large town; PT: Lisbon; ^d Main decision making authority is the regional or local level (or mixed) for enabling policies, incentives and services. DE: Cologne; EE: Tartu; NL: Utrecht; ^e 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 4. Conditionality of minimum income benefits, 2012

	Reasonable job definition			Most severe sanction possible at first violation		Work fare
	Geographical	Occupational	Other	Reduction (% of benefit)	Duration (months)	
AT				25	1	
BE				100	1	
BG	<30 km	Taken into account		100	12	x
CZ	Accessible	If possible	>80% of full-time, >3m	30	2	
DE	Commute <2,5h	Not hinder return to former job	Personal, cultural and religious	30	3	
EE	Commute <2h, cost <15% wage	Corresponds to experience, >60% of former wage or twice the MW (first 20 weeks)	No temporary jobs (first 20 weeks)	100	1	
FI	Within area of employment (no reservation if single)	Occupational immunity (first 3m)		20		
FR	<30 km or 1h (first 6m)	>85% former wage (first year)	Availability of child care	50 (80 if single)	3	
HU		Max one level lower		Withdrawn		
IT				No renewal		
LT	Commute <3h	Corresponding to professional skills	Family circumstances	Termination	6	x
LU				100		
NL			Child care (if child < 12 y)	100	1	
PL				Termination		
PT	Commute <25% working time, cost <10% wage	>110% of benefit (first year)		100	24	
RO	<50 km	Corresponding to professional skills		100	1	x
SI	Commute <3h	1 (after 3m) or 2 levels (after 6 m) lower than previous job	>20h weekly	100	6	
SK		Corresponding to education	>50% of FT	Reduction		
UK				100	6.5	

Note: No duration interpreted as until compliant. For the scoring (Table 2) we assumed this to be one month. See note to table 3 for assumptions regarding locality. m: month, h: hour. Source: CSB-MIPI Version 3/2013 (Author, 2011).

Mapping active inclusion in the EU

Figure 3 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 3). 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.

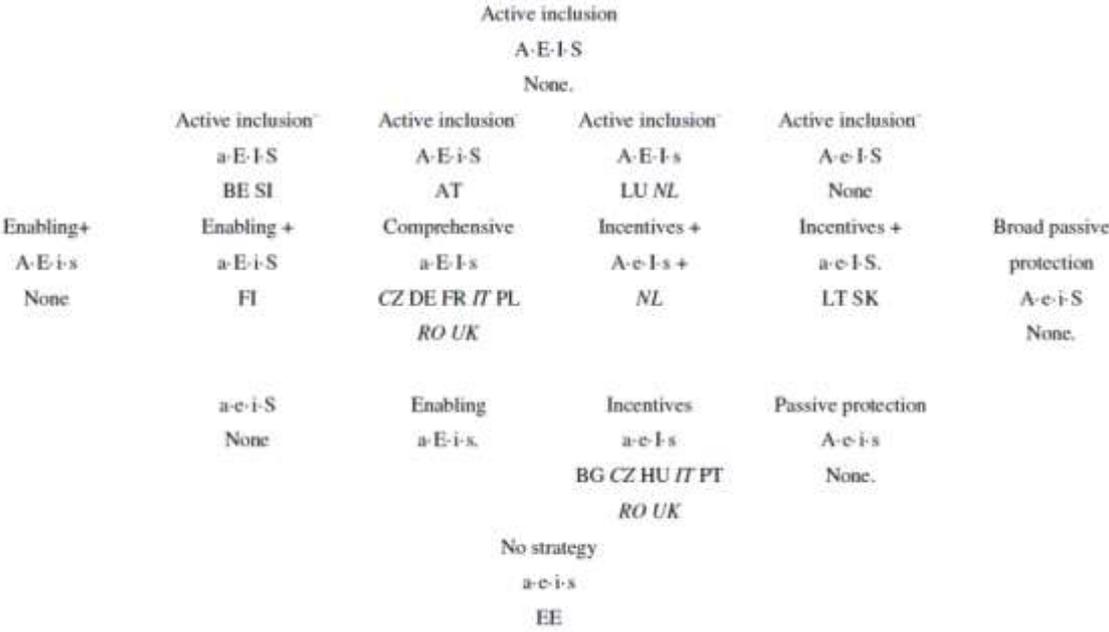
The low membership score of Austria, Belgium, Luxembourg, the Netherlands and Slovenia in the active inclusion type is caused by falling short on only one dimension, that can be (financial or non-financial) incentives, adequacy or services. All five countries pursue enabling labour market policies (as 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 3). 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 4). 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 and 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 (2014) 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 3). Yet MIP benefits are relatively low and financial incentives are moderate (see figure 1). Hence, the Finnish MIP scheme's main affiliation rests with the *enabling+* type, entailing a clear emphasis on supportive measures in approaching MIP recipients.

Figure 3. 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 3 for local dimension.

Source: CSB-MIPI Version 3/2013 (Author 2011)

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 3), even though the French membership into the enabling set might be overestimated given low participation rates in the main activation programmes (see Marchal and 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 and 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 1).

Lithuania and Slovakia combine stark financial incentives and behavioural conditions with affordable and broad based services (termed *incentives+* in figure 3). 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 3). 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 1). 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 3). 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.

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.

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

	Main variations on original calibration	Countries that pass cross-over threshold
Adequate income support	With or without time limits	None
	Average over 5 vs. 4 family types	None
Enabling	Alternative thresholds	
	- 20 – 40 – 60	↑ BE, CZ, DE, EE, FI, UK
	- Internally driven	↑ BE, CZ, DE, EE, FI, FR, UK
	Alternative range ALMP	
	- Taking account of whether or not remuneration is offered	None
	- Taking account of indications of relevance	↓: FR
Incentives	Alternative for MW	
	- Internally driven threshold	↓: SI
	- Average over 5 family types	None
	Solely minimum wage	None
	Solely range of ALMP	↑: BG, EE, HU, LT, PT, SK
	Excluding workfare	↓: LT
	Solely financial incentives	↓: LT, LU, NL
	Alternative financial incentives	
	- Incentives for a single	↑: FI
	- Internally driven thresholds	↓: CZ, DE
Services	Solely conditionality	↓: CZ, DE, FR, PT, SI, SK
	Based on conditionality index (alternative assessment of sanctions and reasonable job)	None
	Solely child care costs	↑: BG, EE, HU, IT, LU, NL
	Solely services	↑: PL
	Internally driven thresholds for child care costs	None
	Alternative calibration of services	
	- Rescale with empirical maximum	↑: IT
	- More weight to examples in recommendation	↑: IT

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.

Acknowledgements

Sarah Marchal gratefully acknowledges a PhD scholarship from the Research Foundation Flanders. 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, for helpful suggestions and comments.

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