



GINI

Growing Inequalities' Impacts (GINI) Work package 6: Policy analysis

Ive Marx & Tim Van Rie

INTERMEDIATE WORK PACKAGE 6 REPORT
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GROWING INEQUALITIES' IMPACTS

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Policy Analysis

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GINI seventh framework programme
Cooperation, theme 8
Socio-economic sciences and humanities
SSH-2009 – 2.2.1 Social inequalities,
their implications and policy options

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Intermediate Work Package 6 Report



TABLE OF CONTENTS

- 1. INTRODUCTION 7**

- TASK 6.1: CONSTRAINTS IMPOSED BY RISING ECONOMIC INEQUALITY AND THE ADDED CHALLENGE OF THE CRISIS..... 9**

- TASK 6.2. REDISTRIBUTING INCOME AND WORK..... 15**
 - 1. The level and adequacy of minimum income protection 19
 - 2. Universalism vs targeting in redistributive policies 26
 - 3. Incrementalism vs innovation in minimum protection and redistribution..... 33
 - 4. Direct income support vs. activation and empowerment for economic self-reliance..... 36

- TASK 6.3 TOWARDS AN INTEGRATED APPROACH..... 43**

- CONCLUSION..... 47**

- ADDITIONAL REFERENCES 49**

- GINI DISCUSSION PAPERS 53**

- INFORMATION ON THE GINI PROJECT..... 57**



1. INTRODUCTION

Attention to policy runs through the entire GINI project and the aim has been to produce policy relevant output in several ways. First, policy variables feature in the ‘drivers of inequality’ work package examining the factors behind changes in inequality. Second, the GINI research on income inequality, educational inequalities, social impacts and political/cultural impacts (i.e. within the other work packages) is to be developed to produce implications for policy. Third, the country reports cover policy changes and the implications thereof. Fourth, the final report will draw out the larger implications in a coherent way.

As clearly stated in the project proposal, the “Policy” work package (WP6), focuses on a further set of specific policy issues which are very important to address in the context of the project and also in the context of current policy debates, particularly within the EU2020 framework. The new strategy includes seven flagship initiatives, including a European platform against poverty and social exclusion. According to the headline target for this flagship initiative, the Member States are committed to raise at least 20 million people from the risk of poverty and social exclusion by 2020. As we indicated from the start of the project, the principal focus would be on policies, particularly income policies, aimed at improving the plight of those least well off, as these are also focus of the Europe 2020 objectives, particularly with respect to social inclusion. Main points of focus (‘tasks’) were listed under the following headings.

Task 6.1: Constraints imposed by rising economic inequality

Task 6.2. Redistributing income and work

The level and adequacy of minimum income protection packages

Universalism vs. targeting in redistributive policies

Incrementalism vs. innovation in minimum protection and redistribution

Direct income support vs. activation and empowerment for economic self-reliance

Task 6.3 Towards an integrated approach



Task 6.1: Constraints imposed by rising economic inequality and the added challenge of the crisis

The ‘Growing Unequal’ Report by the OECD (2008) finds that, across industrialized countries, income distributions have widened between the middle of the 1980s and early 2000s. Yet, the report highlights large and persistent differences between countries, both with regard to the level of inequality and its evolution. While inequality of disposable income increased strongly in some countries (notably Finland and New Zealand), others have witnessed a slight decrease (France, Spain, Ireland). In the majority of countries, the level of inequality remained broadly stable between the mid 1980s and early 2000s. Changes in the income distribution are attributed to three broad sets of factors. First, there are demographic evolutions, with changes in household composition in a key role. Second, a number of trends in the labour market contribute to changes in income inequality, notably a widening of earning differentials among full-time workers and the proliferation of temporary and part-time work. Finally, the role of government in redistributing income differs widely across OECD countries, and has been subject to changes over time.

There exists a strong association at the country level between the level of income inequality and the size of the welfare state, measured as social spending. The association between inequality and redistribution is complex and in many respects counter-intuitive. Lindert (2004) evokes the ‘Robin Hood Paradox’ “*in which redistribution from poor to rich is least present when and where it seems most needed*”. Likewise, in Korpi and Palme’s seminal ’97 paper ‘Puzzle of Egalitarianism’ it is demonstrated that countries that have the most compressed market income distributions, including at the bottom, have the most redistributive tax/transfer systems, while countries with highest levels of (market) income inequality and poverty have the least redistributive ones.

The exact nature of this relationship is not yet well-understood. Generally speaking, there might be four kinds of causal explanations. First, the direction of causality may go from an extensive welfare state to a condensed waged distribution. This is the line followed by Beramendi Alvarez (2001), who has argued that second-order effects of social expenditure are a large part of the explanation of the ‘puzzle of egalitarianism’. First order effects of redistribution on inequality consist of direct income transfers from high-income to low-income households, through taxes, social security or social assistance. But second order effects are equally important: the higher taxes and transfers of large welfare states influence labour supply in such a way that a more condensed wage distribution results. High-wage earners substitute leisure for monetary income in response to taxes, while generous benefits reduce labour supply among those commanding low wages through high reservation wages. Moreover, these second

order effects are highly contingent upon national institutions, particularly with regard to funding of the welfare state, the level of wage bargaining and fine details of institutional design.

Second, the causal mechanism between redistribution and inequality may run in the opposite direction. A highly unequal distribution of market incomes may make it politically and technically more difficult to redistribute income. McCarty and Pontusson (2009) review a number of political economy theories with regard to voter behaviour under different conditions of economic inequality. The so-called median voter models assume that changes in the income distribution lead to a shift in the preference of the median voter, or the 'political middle'. Moene and Wallerstein (2001, 2003) have argued under conditions of rising income inequality, the median voter has a preference for reduced expenditure on insurance and social spending. Empirical studies tend to support this model, as outlined above (Robin Hood Paradox).

However, Meltzer and Richard (1981) have formulated an opposing hypothesis, predicting that rising income inequality leads to a shift in preferences of the median voter, towards more redistribution. A recent paper by Corcoran and Evans (2010) provides empirical support for this thesis, analyzing the association between growing income inequality and support for public education in the US. It should be noted that in this case, support refers to in kind benefits (public education) rather than direct income transfers.

As McCarty and Pontusson (2009) show, the majoritarian assumption underlying the median voter models is not universally applicable. In many contexts, a vast number of parties (including trade unions, employers' organisations) compete for political influence. The partisan politics theory assumes that, rather than moving all parties either to the left or the right, income inequality can cause polarization of the electorate. As the political spectrum widens, the outcome depends largely on the extent to which low-income groups are mobilized, in terms of election turnout and union density. In turn, social security arrangements can strengthen trade unions, particularly in so-called Ghent countries where they are involved in the provision of unemployment benefits (Van Rie et al., 2011) Furthermore, the recent attention in the literature to insider-outsider conflicts and divergent interests within 'Labour' or 'the Left' are of key importance.

Third, causality between equality and redistribution may run in both directions, in a process of mutual reinforcement. This argument has been developed by Barth and Moene (2009) in a recent NBER paper. They argue that a more equal wage distribution leads to welfare generosity through a process of political competition. In turn, more income redistribution produces more equality. The authors hypothesize that this multiplier operates mainly through the bottom of the income distribution: the amplification occurs where wages the bottom of the distribu-

tion are compressed, not where higher incomes are compressed. The hypothesis finds empirical support in their analyses on 18 OECD countries over the years 1976 to 2002.

Finally, an extensive welfare state as well as a limited degree of wage inequality may both be the results of a third variable. As Atkinson (2000) suggests, countries may be characterised by notions of equity that are widely shared within any society, but that differ across societies. A society in which the value of solidarity is widely shared may simultaneously support pay norms, collective agreements and adequate minimum wages, as well as quasi-universal and generous benefits.

In Gini DP33, entitled 'Income inequality and solidarity in Europe', Paskov and Dewilde suggests, in line with Korpi and Palme, that solidarity is strongest in countries with lower income inequality. The authors provide deeper theoretical insight into the links between both dimensions. Solidarity in this context is operationalized as an individual's 'willingness to help others' or 'contribute to other's welfare'. The authors distinguish between 'calculating solidarity' (motivated by self-interest) and 'affective solidarity' (motivated by sympathy and moral duty). They expect inequality to have opposite effects on both sets of motivations. In a more unequal society, more individuals stand to gain from solidarity (positive effect on calculating solidarity), yet the greater social distance between individuals has a negative effect on affective solidarity. In their multilevel model for 26 European countries (1999 data of the ESS), there is a strong effect of individual characteristics: women, married persons, religious persons and older people report higher levels of solidarity. Moreover, there is a social gradient; persons with higher levels of educational attainment and higher incomes show more solidarity. Beyond these micro-level characteristics, however, there are significant country effects: in countries with higher levels of income inequality the population reports, *ceteris paribus*, less solidarity, providing further support for the 'Robin Hood Paradox'. While affective and calculative motives for solidarity cannot be distinguished empirically, the country-level findings suggest that the negative effect of country-level income inequality on affective solidarity is stronger than its positive effect on calculating solidarity.

Perceptions of deservingness are linked not solely to inequality, but also depend on competing views regarding the sources of inequality, as argued in GINI DP34 by Niehues and Peichl entitled 'Lower and Upper Bounds of Unfair Inequality: Theory and Evidence for Germany and the US'. Theories of distributive justice typically distinguish between acceptable inequalities (induced by effort and other variables under the control of subjects) and unacceptable inequalities (which are due to endowed characteristics, beyond the control of individuals). This distinction is crucial in debates relating to equality of outcomes versus equality of opportunity. However, most current research only includes estimates of the lower bounds of unfair inequality, without an upper bound. This is

mainly due to methodological issues, as many endowed variables (e.g. innate ability) cannot be observed directly. Relying solely on the lower bound of this inequality, however, might have major implications: if the extent of unfair inequality is underestimated, this weakens the case for redistributive policies.

To estimate missing upper bounds, the authors apply fixed effect models on longitudinal panel data in the US and Germany. The analyses suggest that there is a significant gap between upper and lower bounds of inequality of opportunity. Therefore, the authors argue, theories that assume that the amount of inequality of opportunity coincides with the lower bound tend to underestimate the share of inequality which is due to factors beyond the control of individuals. The analyses underline the role of gender as a key factor in inequality of opportunity, and its importance in terms of policy options. In this respect, the paper clearly has the aim of making the true extent of unfair inequality visible, beyond its lower bound, thereby stimulating the case for redistributive policy.

When the GINI project proposal was being written the financial crisis (and subsequent global economic crisis) was still at a relatively early stage. By the time the project effectively started it was clear that the crisis was going to have major repercussions for policy. We decided these could not be ignored, and we added this as an additional focus point within this task.

The GINI country reports have clearly documented the effect of previous – national - crisis episodes. Korea and Sweden both experienced severe economic downturns, respectively in the early 1990s and mid 1990s. In both cases, economic growth recovered fairly quickly, but repercussions for the labour market proved more persistent and income inequality increased markedly. In Sweden, major retrenchment of the welfare state was initiated. (Korea: rather the opposite: introduced MIPI, but still: major increase in inequality subsequently)

In DP1, Bargain et al. analyze the distributional consequences of labour-demand adjustments to a downturn, applied to first round effects in Germany over the period 2008-9. They confront a disaggregated labour-demand model with information on household income distributions (German Socio-Economic Panel), to show the impact of the crisis on the distribution of disposable household income. Based on macro-data on output shocks per sector and historical administrative employer-employee data (IALB), the authors show that the reduction in labour demand in Germany has a particularly strong impact among the young, low-skilled and non-standard workers, and in the manufacturing industry. They then simulate two scenarios: the 'German' version where labour demand shocks are dealt with primarily through a reduction of working hours per employee, and an 'American' alternative where the shock impacts mainly through a reduction in staff levels. The simulations show that the latter scenario results in a sizeable dispersion in the net disposable household income and a very substantial rise in headcount poverty (10 percent). In the scenario with working hour reductions, inequality measures remain fairly stable and

headcount poverty increases less strongly (4 percent). In addition, the fiscal cost of the 'German' policy option of working-time reduction is lower than the American option, making it clearly preferable both from a distributional and a budgetary perspective.

In DP23, Dolls e.a. investigate the role of automatic stabilizers to counter the crisis in Europe. Based on the EUROMOD microsimulation model, they analyze the effect of macro shocks on the income distribution and the role of the tax benefit system in protecting households from its adverse effects. The paper includes simulations for two scenarios: First, an 'income shock' scenario where all households experience a proportional decline of gross income of 5%. Second, an 'unemployment shock', with an identical total effect (5% gross income loss) but an asymmetrical impact on households, through job losses and particularly sharp declines in some households. The differences between both scenarios are far from trivial: the income shock leads to a reduction in income inequality, whereas the distributional impact of the unemployment shock critically hinges on the profile of the households that are affected. The income shock and the unemployment shock are both associated with rises in headcount poverty. Comparing different European countries, the authors find a large variation in economic stabilization, as well as very different distributional impacts of tax-benefits systems. A cluster analysis based on the stabilization coefficients identifies a group of Member States with similar characteristics. The results of this analysis correspond closely to existing typologies (Esping Andersen, 1990; Ferrera 1996): In the case of an unemployment shock, Continental and Nordic countries succeed much better in shielding low income groups from the crisis than the Mediterranean and Eastern European countries do.



Task 6.2. Redistributing income and work

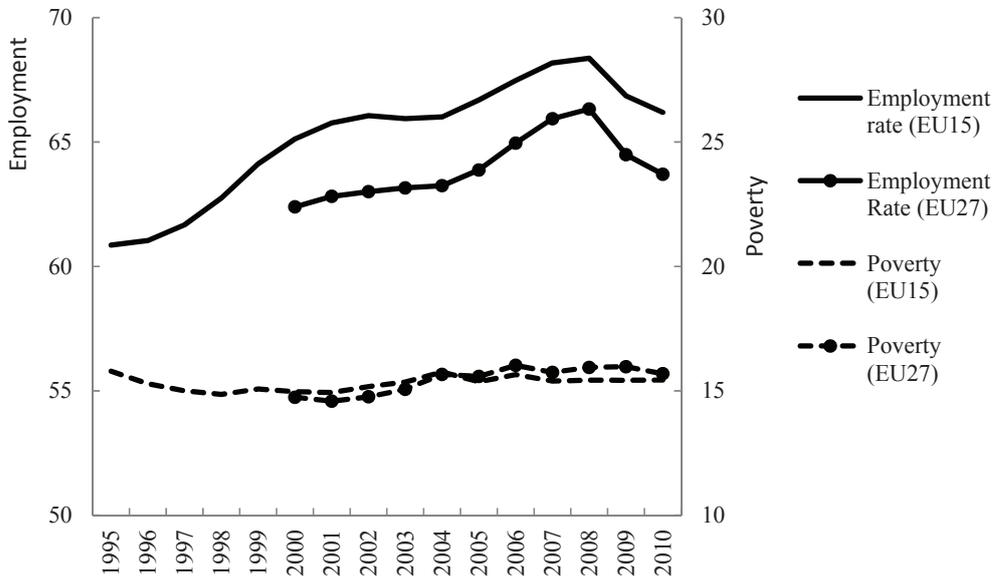
The period before the current crisis saw a strong rise in employment levels in the EU. This rise had not come by accident (Van Rie and Marx, 2012). In most EU countries a marked policy shift had taken place towards boosting labour market participation levels and reducing benefit dependency among those at working age. The increased emphasis on supply oriented labor market policy took a drastic turn in some countries, also involving social protection reform (Kenworthy, 2011).

The shift from passive programs to policies that more directly aimed to increase labor supply had started already in the 1990s with the advent of such doctrines as the Third Way in Britain and the Active Welfare State in Belgium. When the Lisbon Agenda was agreed, the idea of employment growth and poverty alleviation as natural and inseparable allies had become central to policy reform in most if not all EU Member States. Active approaches to social protection also applied to EU social cohesion policy. Central to the Lisbon agenda, and particularly to its execution, were jobs. This underpinning was quite effectively summarized in the title of the Kok (2003) report on a revised European employment strategy: 'Jobs, jobs, jobs'. This renewed belief in the possibilities for social development fostered by full employment proved not altogether illusory. Just prior to the crisis, unemployment rates had dropped to historically low levels in many countries. In some countries the unemployment rate was far below levels that observers only a decade earlier deemed impossible to achieve (OECD, 1994). Spectacular success stories came to dominate the academic and political agenda, the "Dutch Miracle" being one notable example. Yet it also became increasingly clear that employment growth had not produced the expected outcomes in terms of poverty reduction. Marked increases in employment rates had gone accompanied with rising or stagnant poverty rates for the working aged population. The Lisbon strategy proved unsuccessful in the fight against poverty (Cantillon, 2011 and Cantillon et al. in GINI DP54).

Figure 1 shows the poverty and employment rates as averages for the EU countries 1995-2010. Here we use the EU at-risk-of poverty rate corresponding to the share of individuals below 65 years that live in households with incomes below 60 per cent of the median disposable income. All income is measured after adjustments for household size and composition. The employment rate is for the population 15-64 years. The increase of employment is quite evident. Between 1995 and 2008 the employment rate increased on average by about 7 percentage points in the EU15. For all EU Member States we only have data from 2000 and onwards. In this larger group of countries the increase in employment was particularly pronounced in the mid-2000s. For our purposes it is particularly interesting and relevant to note that this increase in employment is not followed by a corresponding decrease in the

relative income poverty rate. In fact, the poverty rate has been fairly stable over the period, fluctuating around 15 percent in the EU15 and towards the end of the period being at a slightly higher level in the EU27.

Figure 1. The Lisbon decade: Rising employment yet stagnant relative poverty, EU 1995–2010



Note: The poverty threshold is 60 percent of the equivalized median household disposable income. The poverty rate is for the population less than 65 years of age. The employment rate is for the population 15-64 years of age. Source: Eurostat.

The distributive outcomes of the welfare state are often due to a number of interrelated factors, such as the organization of social protection, the functioning of labour markets and demographic patterns. There are two principal reasons why past job growth has not produced poverty declines: a) because past job growth has not sufficiently benefited poor people and b) because a job does not always pay enough to escape poverty. Let us consider both factors in a bit more detail.

First, most at risk of poverty are persons living in workless or near workless households (OECD, 2009; De Graaf-Zijl and Nolan in GINI DP5). They face the highest poverty rates by far and they also tend to experience the most severe financial hardship (including their dependent children). The concentration of non-employment within the same households may be due to many factors (Gregg, Scutella and Wadsworth, 2010). A correlation between the employment statuses of household members may reflect a tendency for individuals who share common characteristics to live together. Since persons with fewer educational qualifications typically experience higher unemployment and non-employment rates, households whose members all have a low level of educational attainment are likely to be over-represented among workless households. Household members are usually looking for work in the same local labour market and a depressed labour market will have a common impact on them. In addition, household members often have similar levels of education attainment. The disincentive effects of tax and benefit

systems can also play a role. It is often the case that if one person gets a benefit, another person is punished if he or she accepts a job. To get out of this dependency trap, all members of the household must find a job simultaneously, which may be particularly hard if both partners have low educational attainment. This problem may be more severe in countries with extensive means-testing of welfare benefits based on family income.

In this light, it is perhaps not altogether surprising that employment growth has not produced commensurate drops in workless household rates. Job growth has in many countries resulted in more double or multi-earner households, but only to a very limited extent in fewer no earner households (Vandenbroucke and Corluy, 2012). This ‘Matthew effect’ in the benefits to job growth may have had the added effect of pushing up median income, and hence relative poverty thresholds, widening the distance between the stagnant bottom and the rising median.

A second reason why employment growth does not necessarily result in less poverty is that a job may not pay enough to escape poverty (Andreß and Lohmann, 2008). What poor jobless persons often require is not just a job, but a job that pays significantly more than their benefit. In the case of non-employed poor persons living in a household with already one earner the additional income required to escape financial poverty may be quite limited. Indeed, a small part-time job may suffice (Maitre, Nolan and Whelan, 2012). For sole breadwinners the required income gain is often quite substantial. From an anti-poverty perspective, the issue is not just “making work pay” (i.e. tempting people to move out of dependency), but to make work pay sufficiently to make sure that a move from dependency to work also implies a move from poverty to an adequate living standard. The living standard of poor households with weak or no labour market attachment is often so far below the poverty threshold (especially in the case of single parents and child rich households) that it is quite possible that a job that pays significantly above the minimum wage will not suffice to lift them from poverty (Immervoll, 2007; Marx et al., 2012).

Long regarded as predominantly if not exclusively an ‘Anglo-Saxon’ problem, linked to weak labour market regulation, decentralized wage setting and low replacement benefits, in-work poverty has now become a EU-wide concern. Recent comparative empirical studies, including Marx and Nolan in GINI DP51, confirm in-work poverty to be a pan-European problem (Andreß and Lohmann, 2008; Crettaz, 2011; OECD, 2009; Fraser et al., 2011). Workers in countries like Germany, France, Sweden or Spain are as likely to be confronted with household financial poverty as those in Britain or Ireland. According to the SILC based EU Social Inclusion Indicators, the extent of in-work poverty in 2010 ranges from a low of 4-5 percent in countries like Belgium, Denmark, Finland and the Netherlands, up to 11-12 percent in Spain, Latvia, Poland and Portugal, and upwards of 15 percent in Greece or Portugal. As many as a quarter to a third of working-age Europeans living in poverty are actually already in work.

It has become clear that effective poverty reduction and increased social cohesion require more than job growth and employment income. Minimum income protection also has an indispensable role to play, for non-active people and workers alike. While some have been arguing that the social dimension of European integration would prompt governments to adopt some common denominators, tangible results on European policy convergence or harmonization in the area of social protection is unclear at best.

The enduring institutional differences in national frameworks in Europe are to some extent surprising. It is true that the social dimension of European integration has for many years been a contested topic (Hantrais, 2007). However, due in part to the difficulties of countries coming to agreements on binding legislatives, the Lisbon Agenda included a new EU initiative to foster social integration, focusing on the diffusion of ideas and best practices. In the framework of the Open Method of Coordination (OMC), the Member States agreed on common objectives and indicators against which national and EU developments could be evaluated and compared (Atkinson et al., 2002). The intention was and remains to assist the member states to identify good examples, which can be used nationally to develop new ways to tackle the issues of poverty and social exclusion.

The Europe 2020 Growth Strategy, which details the approach for European economic development over the years 2010-2020, would appear to mark a further step of European social integration (see Nolan and Whelan in GINI DP 19). The new strategy includes seven flagship initiatives, including a European platform against poverty and social exclusion. According to the headline target for this flagship initiative, the Member States are committed to raise at least 20 million people from the risk of poverty and social exclusion by 2020. This target, however, is not exclusively defined in terms of the number of people living in relative poverty. It also includes the number of persons living in very low work intensity households and the number of persons who are materially deprived. Thus countries can, for example, opt to focus on increasing work intensity at the household level rather than on reducing relative poverty. However, if an increase in the number of people in low work intensity households were to result in an increase in the number of people living in relative poverty no progress will have been made towards reaching the target.

The idea that employment growth and poverty reduction need to go together remains at the core of the Europe 2020 Agenda, but there seems to be an implicit recognition now that higher levels of employment may not automatically bring better social inclusion outcomes. For example, the European Commission (2010) recently stated that social protection is an additional cornerstone of an effective policy to combat poverty and social exclusion in Europe, complementing the effects of growth and employment. Within this framework, social benefits should not only provide the right incentives to work, but also guarantee adequate income support (European Council, 2011).

The concept of income adequacy is of course ambiguous. Nonetheless, the European Parliament (2009) has defined the term as an income level at least on par with the at-risk-of poverty threshold agreed by the EU Member States. Programs designed to provide minimum incomes, such as non-contributory and means-tested benefits, play a crucial role in fulfilling this objective. The centrality of minimum income protection for European social development is also notable in the Social Protection Committee's (2011) assessment of the social dimension of the Europe 2020 Growth Strategy, where it is stated that the Member States should reinforce minimum income safety nets by expanding coverage and increasing benefit levels in regions where policies are weak.

Following its two reports on income inequality the OECD has also formulated a number of policy recommendations. These remain general but it is worth highlighting some elements in the context of this report. The OECD deems government redistribution is essential but “redistribution strategies based on government transfers and taxes alone would be neither effective nor sustainable”. In this context the OECD (2011) calls for “well-targeted income support policies” while adding that “policies for more and better jobs are more important than ever”. Human capital investments are however seen as key, including job-related training and education.

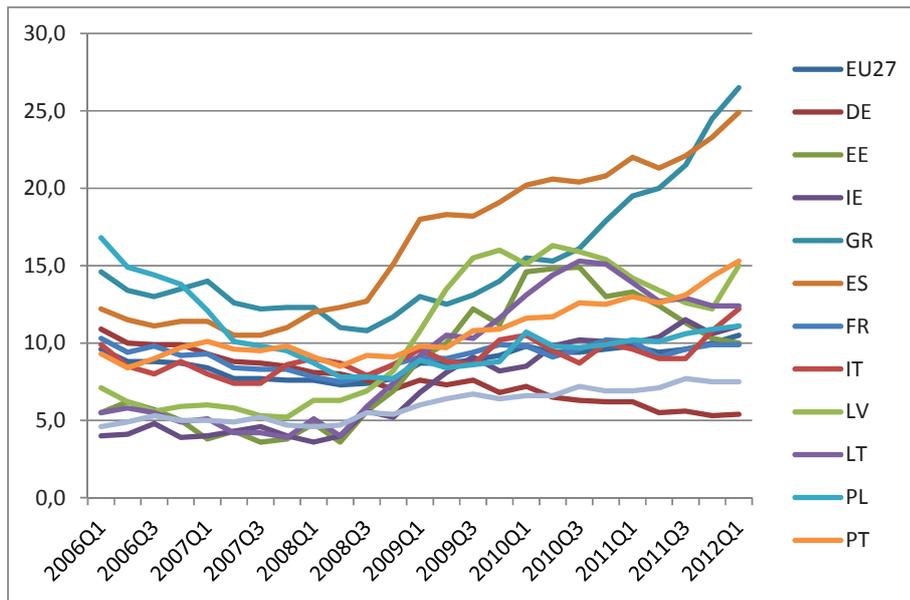
Taken together, the policy routes put forward by both the EU and the OECD are strongly resonant of the main research lines within the GINI Policy Work Package. We will now discuss these in some detail.

1. The level and adequacy of minimum income protection

The policy work package within GINI had a strong focus on minimum income protection from the very start. This was primarily motivated by the fact that the bottom end of the distribution is by common consent the most problematic aspect of income inequality and minimum income protection to most direct form of policy intervention to prevent people falling below problematically low income levels.

The importance of adequate safety nets really hit home when an economic downturn of a magnitude unseen in decades struck in 2008. Despite some differences between individual countries, unemployment levels generally surged, causing dramatically increased demands for income protection. Figure 2 illustrates the magnitude of the shock. As can be seen, some countries were especially hard hit, with unemployment more than doubling in Spain, Latvia, Ireland, Estonia and Lithuania.

Figure 2. Quarterly unemployment rates, selected EU countries, 2007 – 2011

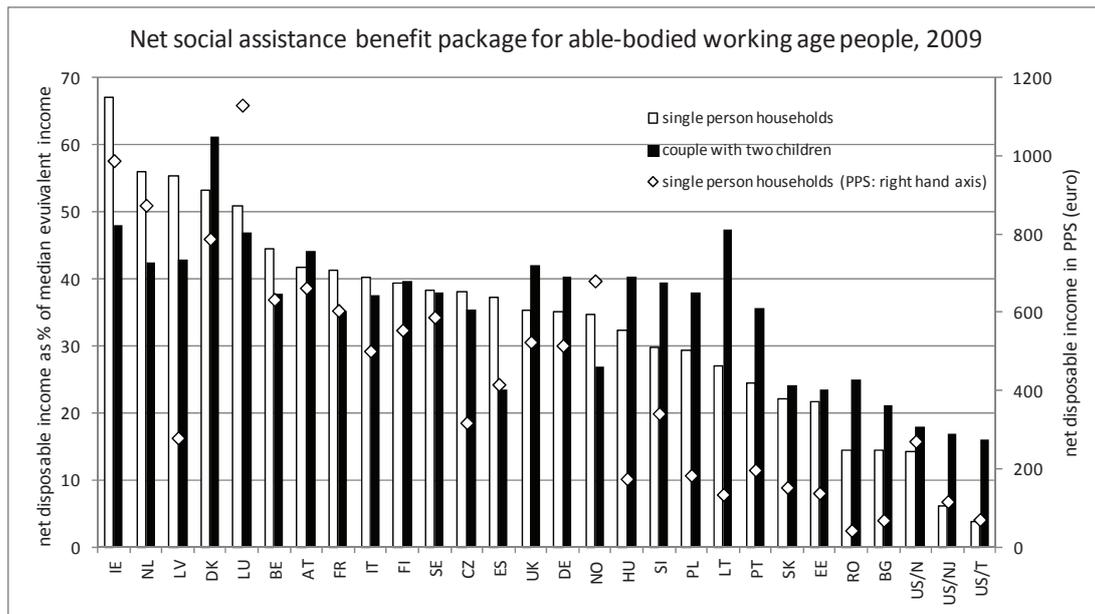


In several European countries the financial crisis has implied a descent into financial hardship for many families. In that context, the focus on minimum income protection becomes even more relevant and urgent. Do minimum income protection systems as these exist in the EU today succeed in providing adequate protection? If that is not the case what then are the prospects for improvement?

In GINI DP55 entitled ‘Social assistance trends 1992-2009’, *Natascha Van Mechelen and Sarah Marchal* analyze the broader cross-national patterns and trends in the level of minimum income protection for able bodied citizens in the European countries. The chief focus is on means-tested benefits providing minimum income protection, usually in the guise of social assistance. These general means-tested benefits provide cash benefits for all or almost all people below a specified minimum income level. In some countries separate schemes exist for such groups as newly arrived migrants or the disabled, a topic covered in the paper by Hubl and Pfeiffer (see below). The empirical analyses use data from the CSB-Minimum Income Protection Indicators dataset (CSB-MIPI) and cover social assistance developments in 25 European countries and three US States. The paper provides an overview of European social assistance schemes and discusses the position of such schemes in the overall system of social protection. Then follows an extensive analysis of cross-national differences in benefit levels and trends, including a focus on an underexplored issue: the impact on indexation and statutory adjustment mechanisms. The empirical evidence show that the minimum income benefit packages for the able bodied have become increasingly inadequate in providing income levels sufficient to raise households above the EU at-risk-of poverty rate. The overall tendency for 1990s was one of almost uniform erosion of benefit levels, relative to the development

of wages. This downward trend in the relative income position of families in receipt of social assistance changes somewhat in the 2000s, when the erosion of the level of benefit packages came to a halt in some countries. In a few countries there is even evidence of a partial reversal of the declining trend, thus somewhat strengthening the income position of able bodied persons that are in receipt of social assistance benefits. On the role of statutory adjustment mechanisms the paper concludes that most legal systems are quite insufficient to keep benefit levels in line with the general living standard.

Figure 3. The adequacy of net social assistance benefit packages, 2009, EU Member States



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.

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

In a Gini DP56 ‘Minimum income protection for workers’ *Ive Marx, Sarah Marchal and Brian Nolan* broaden the scope of analysis to cover also the development of minimum income protection for people in employment. This paper analyzes the extent to which minimum income protection policies help to prevent poverty among people with low earnings, focusing on the role of minimum wages, tax and benefit policies. This paper also builds on the CSB-Minimum Income Protection Indicators dataset (CSB-MIPI) and covers developments in 25 European countries and three US States. The empirical analysis shows that net income package at minimum wage levels, where these exists, are adequate for single persons in about half the European countries (Figure 3). For lone parents and sole breadwinners with a partner and children to support, net income packages at minimum wage are below the EU at-risk-of poverty threshold almost everywhere, usually by a wide margin. This holds true irrespective of family benefits and income supplements that may add to the disposable income of minimum wage earners. It is further

argued that when it comes to effectively combating in-work poverty there appear to be limits to what minimum wage policies can achieve. The route of raising minimum wages seems to be inherently constrained, especially in countries where the distance between minimum and average wage levels are comparatively low and where relative poverty thresholds are to a large extent a function of the dual-earner living standards.

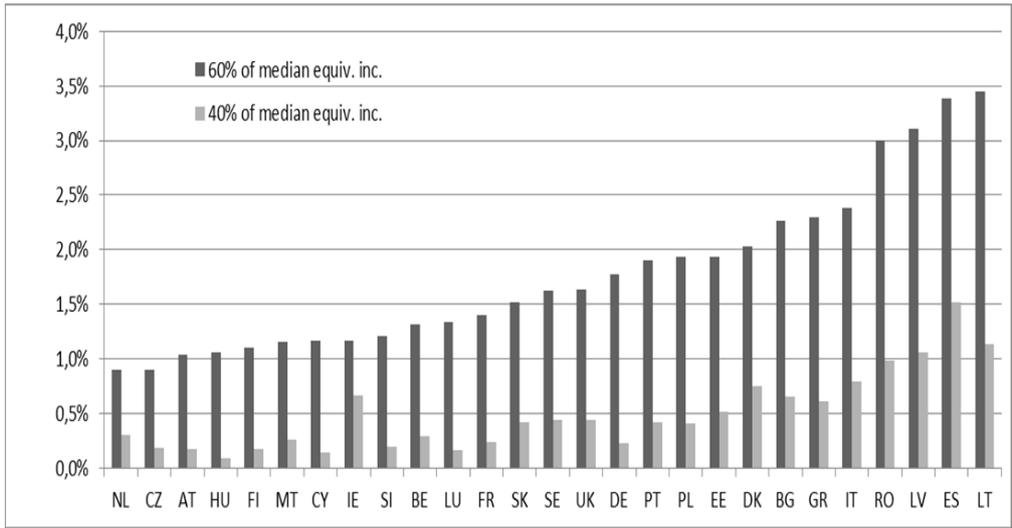
The issue of child benefits for working families is covered in detail by *Natascha Van Mechelen and Jonathan Bradshaw* in GINI DP50. Child poverty is high on the European social inclusion agenda and the European Council (2006) has asked the member states to take the necessary action to substantially reduce the number of children that are living in low-income families. The high levels of child poverty in Europe have also raised some concern elsewhere, for example, by the UNICEF (2007). The majority of the EU Member States have more than 20 percent of poor children living in households with someone in employment. This paper analyzes the issue of child poverty among working families from the perspective of child benefits in 25 EU Member States and the United States, also using CSB-MIPI data. The analyses show that the child benefit packages generally fail to protect low wage families against poverty in many European countries. Whether or not child care costs are subsidized makes a huge difference to the disposable income of low wage families. In some countries, the costs for childcare seem very much to undermine the net value of the child benefit package. Child benefit packages have in several countries been able to escape welfare erosion during the 1990s. However, over the past decade child benefit levels have failed to keep up with the general income growth, causing a slow but steady erosion of benefit levels.

Tim Goedeme has analyzed minimum income benefits explicitly targeted at persons at the other end of Rowntree's poverty cycle. In GINI DP27, the focus is on minimum income protection for Europe's elderly populations, using CSB-MIPI data for 25 EU Member States. The elderly constitute a growing part of the population and stand out for their heavy reliance on the welfare state. The level of contributory pension benefits are projected to fall in a large number of EU Member States, if not in absolute terms then compared to the level of previous wages. Inadequate contributory pension benefits will most likely cause an increased demand for minimum income protection among the elderly. Due to the complexity of regulations governing minimum income benefits for the elderly, the paper begins by addressing the various forms of programs that exist across Europe. Next the level of benefits and developments are assessed across countries and over time. The general trend resembles that of social assistance, with welfare erosion during the 1990s and stagnation or sometimes even strengthened protection in the 2000s. However, only in a few countries are benefits provided at levels sufficient for effective poverty alleviation relative to the EU at-risk-of poverty rate.

The re-emergence of the '92 Recommendation in EU policy discourse, after having lingered in relative obscurity for almost two decades, is as remarkable as it is important. This reappearance of minimum income protection is not only evident at the European level, it has also taken place in several Member states, be it to varying degrees. Yet while the erosion of minimum income protection levels seems to have stopped or at least slowed the fact remains that Europe's final safety nets do not offer adequate income protection in all but a handful of countries. This begs the question: why are social safety nets not more adequate? Let us briefly consider two potential impediments: first, "adequate social safety nets are too costly" and second, "adequate social safety nets undermine the work ethic and people's willingness to work".

Are adequate social safety nets too costly? Final safety net provisions (social assistance schemes) generally constitute only a fraction of total social transfer spending (typically well below 2.5 percent of GDP in Europe, except in Ireland and the UK), the bulk of outlays going to pensions, unemployment and disability insurance, child benefits etc. Vandenbroucke et al. (2012) have made tentative calculations showing that the redistributive effort required to lift all equivalent household incomes to the 60% level would be below 2.5 per cent of aggregate gross household income in most European countries and nowhere higher than 3.5 per cent (Figure 4). The countries that would have to make such a relatively great effort are all Southern and Eastern Member States. Vandenbroucke et al. (2012) also show that it is not the case that being poor in GDP per capita always implies a great redistributive effort to close the poverty gap: the Czech Republic and Hungary are relatively poor in GDP per capita, but closing the poverty gap would require relatively little effort. On the other hand, Denmark and the UK are relatively rich, yet they would have to make a relatively great effort to close the poverty gap. Such a mechanical calculation ignores incentive effects and behavioural change (more poor people may prefer social assistance to lousy and low-paid jobs; the non-poor may reduce their work effort). The real cost of such an operation is probably higher than the mechanical effect and the calculation may be seen as indicating a lower boundary for the distributive effort that is required. Still, the calculation also illustrates that the cost of an adequate social safety net is not necessarily outside of the realm of the conceivable.

Figure 4 Indicator of distributive effort required, in order to eliminate poverty risks below 40% or 60% of median equivalized income, EU SILC 2009.



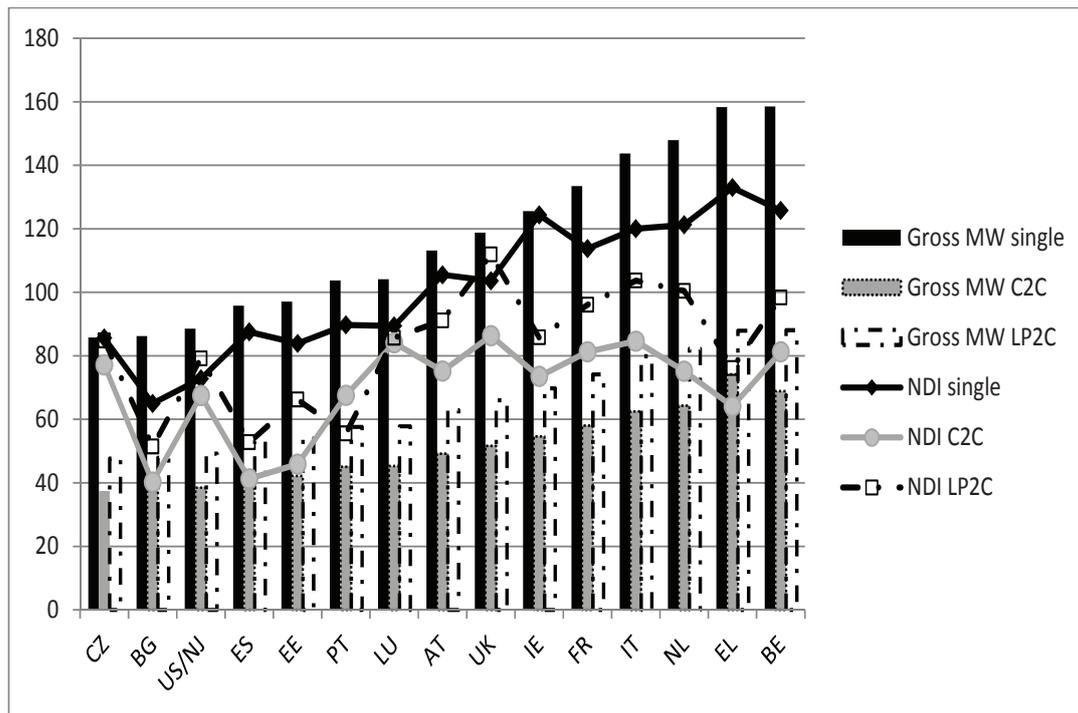
Source: Vandenbroucke et al. (2012),

Are adequate social safety nets compatible with work incentives? Despite widespread and sometimes strongly worded concerns over the potential work disincentive effects of social safety nets empirical studies tell a more nuanced story (Immervoll, 2012). The income gap between situation of full-time dependence on minimum income benefits and a full-time job at the minimum wage (or the lowest prevailing wage) is in fact quite substantial in most European countries, especially for single persons. In some countries and under certain circumstances particular groups like lone parents with young children gain relatively little from moving into a low-paid job, especially when child care costs are accounted for. Partial transitions into work – moving to a small part-time job – also do not pay in certain circumstances. But generally speaking it is hard to argue that long-term dependence on social assistance benefits is an attractive financial proposition in most of Europe. The hypothetical Europe-wide introduction of social assistance minimums equal to 60% of median income would however create a financial inactivity trap in many countries, as is also brought out by the paper by Vandenbroucke et al. (2012). In countries like Bulgaria, Estonia, Slovenia and Lithuania, the net income of a single benefit recipient would be between 25% and 30% higher than the equivalent income of a single person working at minimum wage; in Spain and the Czech Republic, the relative advantage of the benefit claimant would amount to around 15 per cent. This implies if such countries would wish to move towards better final safety net provisions that then minimum wage floors would have to be raised at least in step.

This would require quite substantial increases in minimum wages. 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. As is illustrated in Figure 5, only for

single persons and only in a number of countries do net income packages at minimum wage level reach or exceed the EU's at-risk-of poverty threshold (as in all graphs 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 is the case despite shifts over the past decade towards tax relief and additional income support provisions for low-paid workers (Marx, Marchal and Nolan, 2012).

Figure 5. Gross minimum wages and net incomes at minimum wage as a percentage of the relative poverty threshold, 2010, selected EU Member States plus United States (New Jersey)



Source: Marx, Marchal and Nolan (2012)

When it comes to the question of whether and to what level minimum wages and hence minimum income benefits in general can be increased opinions clearly diverge. The debate over 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 and it seems fair to state that the measured effects have sometimes been positive, sometimes negative, sometimes neutral, but never very large (Dolado *et al.*, 1996; 2000; Freeman, 1996; OECD, 1998; 2004; Kenworthy, 2004). As the OECD's 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.” Yet as current debates in Germany demonstrate, many still do not hold that view.

Concerns about work disincentive effects of social safety nets are legitimate, as are concerns over potential negative employment effects of minimum wages, especially if these were to be set at levels high enough to keep households solely reliant on that wage out of poverty. The fact remains, however, that countries like Denmark or the Netherlands combine what are comparatively among the highest levels of minimum protection for workers and non-workers alike with labour market outcomes that on various dimensions are also among the best in the industrialised world. The Netherlands and Denmark have among the highest employment rates in Europe and the lowest (long-term) unemployment rates.

Elaborate active labour market policies, specifically activation efforts directed at social assistance recipients, coupled with intensive monitoring and non-compliance sanctioning, appear to play a key role here. But it is plausible that the strength of overall labour demand is a key contextual factor for such associated policies and practices to effectively result in low levels of long-term dependence. Replicating the activation, empowerment and sanctioning aspects associated with comparatively generous systems may well be difficult enough in itself. Replicating a context where job growth is strong and where jobs are sufficiently rewarding and attractive is probably even more difficult.

Note that not only relatively elevated social safety nets but also generous social transfer systems in general can be compatible with well-functioning economies. Some in fact argue that adequate public transfers, particularly in the form of social insurance benefits, are actually conducive to well-functioning labour markets. Flexicurity proponents identify adequate social security benefits as an essential flexicurity pathway (Bekker and Wilthagen, 2008). Note that benefits are seen here in an instrumental role: benefits are there to stimulate and accommodate labour market transitions and to reduce risk aversion among workers.

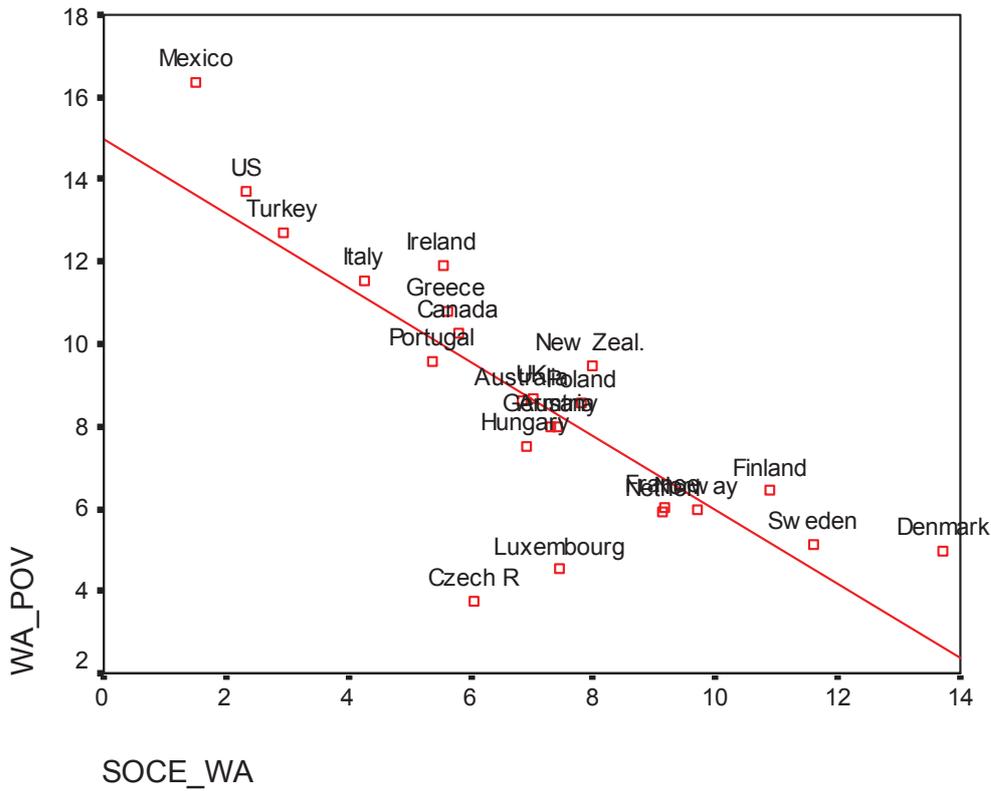
2. Universalism vs targeting in redistributive policies

So far we have discussed final safety net provisions which, by their very nature, tend to be very strongly targeted at the poor. A focus on such provisions seems entirely appropriate given their crucial role in times of economic crisis and high levels of unemployment. The level and adequacy of the final safety net is also of symbolic importance as a clearly quantifiable measure of what a society deems to be lowest acceptable standard of living for adults and their children.

The empirical reality, however, is that there is not a very strong correlation between minimum income protection levels, as captured through institutional indicators, on the one hand and measured financial poverty outcomes on the other (see Nelson, 2004; Marx and Nelson, 2012; Vandenbroucke et al. 2012). This is the case for the population as a whole but also – and perhaps more surprisingly – for population segments like jobless active age households for whom such social assistance benefits matter most. There are a host of potential reasons for this, including problems of societal stigmatization and administrative inefficiency, causing low or delayed take up.

There *is* however a strong empirical relationship at country level between the *overall* level of social spending and the incidence of poverty (Nolan and Marx, 2009; Kenworthy, 2011; OECD, 2008; Immervoll and Richardson, 2012). This is arguably one of the more robust findings of comparative poverty research over the past decades. The slope of the regression line in Figure 6 implies that an increase of 1 percentage point in the share of national income devoted to social spending is associated with a reduction in poverty of 1 percentage point. It needs to be stressed, however, that this does not simply reflect the direct impact of transfers: high-spending countries have other institutional features that contribute, notably high levels of minimum wage protection and strong collective bargaining compressing wages (hence limiting overall inequality), more extensive public and subsidized employment as well active labour market programmes, higher levels of public spending on education etc. Disentangling the effect of these various factors is inherently fraught with difficulties. There may in fact be mechanisms of mutual reinforcement between these factors. Barth and Moene (2009) argue that a more equal wage distribution leads to welfare generosity through a process of political competition. In turn, more income redistribution produces more equality. The authors hypothesize that this ‘equality multiplier’ operates mainly through the bottom of the income distribution: the amplification occurs where wages the bottom of the distribution are compressed, not where higher incomes are compressed. They find empirical support in their analyses on 18 OECD countries over the years 1976 to 2002. In this context we also refer to GINI DP 7 by Toth and Keller which finds that preference towards redistribution is more influenced by the lower part (below median) of the income distribution, than by the upper part (above the mean).

Figure 6: Public expenditure on cash transfers (as a percentage of GDP) and relative poverty incidence among working age population (mid 2000s)



Source: Nolan and Marx (2009) drawing in the OECD database

While in theory low or moderate levels of social spending would produce low poverty rates if resources were well-targeted, there is a strong empirical relationship at country level between the level of social spending and the incidence of poverty. No advanced economy achieves a low (relative) poverty rate with a low level of social spending. Some countries achieve better ‘efficiency’ (i.e. poverty is reduced more for each Euro spent) through targeting more on low-income groups. However, because ‘targeting’ and ‘effort’ tend to be negatively related, targeted systems tend to have a weaker overall effect than universal systems. Korpi and Palme (1998) called this the ‘paradox of redistribution’. The finding is that universal systems, while on paper being least distributive, distribute the most, basically because they spend more. This finding has been validated by other studies. Corak, Lietz and Sutherland (2005), for example, found that universal child related benefits – not those targeted at the poorest - protect best against poverty. Yet analysis on the most recent available cross-country data seems to suggest that the negative relationship between targeting and poverty reduction effectiveness that Korpi and Palme established for the mid 1980s may be weakening (Kenworthy 2011).

The reasoning put forward by Korpi and Palme is that, paradoxically, in countries with selective welfare systems less resources tend to be available for redistribution because there is less widespread and robust political support for such redistribution. As a consequence, the redistributive impact of such systems tends to be smaller. To put it another way: some degree of redistributive “inefficiency” (a Matthew-effect) is said to foster wider and more robust political support for redistribution, including to the most needy. This follows from the fact that a universal welfare state creates a structural coalition of interests between the least well-off and the politically more powerful middle classes. By contrast, a selective system entails an inherent conflict between the least well-off, by definition the sole recipients of social transfers, and the better off, who fund the system without the prospect of getting much out of it.

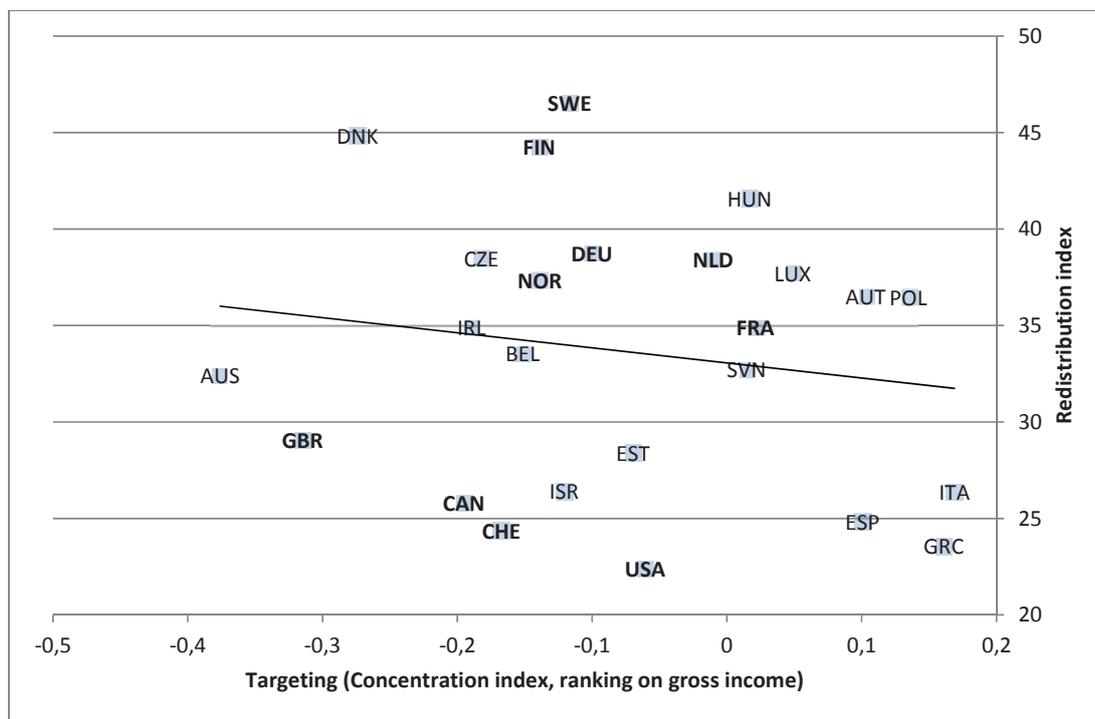
Korpi and Palme’s influential analysis builds on data that is 25 years old. Recent re-examinations, particularly by Kenworthy (2011) and Whiteford (2007; 2008), suggest that a degree of targeting may not be so bad after all. Within the GINI project Marx, Salanauskaite and Verbist have also replicated the Korpi and Palme analysis, but for a broader set of countries and across a broader set of alternative methodological specifications. They have also done the analysis on multiple data sources. They find that for what it matters, targeting is generally associated with higher levels of redistribution. The important point however is that the relationship over a broad set of countries and specifications is a weak one, suggesting that the extent targeting per se may not matter as much as we have assumed since Korpi and Palme.

Figure 7 illustrates this weak association between targeting and redistribution. Here targeting is captured through the concentration index. This is calculated in a similar way as the Gini coefficient. The more negative the concentration coefficient, the more targeted the transfers, whereas the closer the concentration coefficient is to the Gini, the more universal the transfers are distributed. Australia, the United Kingdom and Denmark have most negative concentration coefficients and can be characterized as strongly pro-poor. Negative concentration coefficients are found in the majority of the countries, pointing to a substantial degree of targeting. Note however that the term ‘targeting’ suggests that outcomes are due to the characteristics of the system, but this need not be the case. Moreover, the outcomes of a system are highly dependent on the characteristics of the underlying population, in terms of socio-demographic characteristics, income inequality, composition of income, etc. If, for instance, a benefit is designed in such a way that all children are eligible, but all children are situated in the bottom quintile, then this policy measure may appear as very targeted in its outcomes, even though its design may not include any

means-testing or needs-based characteristic. This means that strictly speaking we cannot derive from the concentration coefficient how pro-poorness of a transfer comes about.

Redistribution refers to the impact of taxes and transfers on income inequality. It is measured by the difference between the Gini coefficients with and without tax-transfers relative to pre-transfer income; this corresponds in this analysis to the difference of the Gini coefficients of market and disposable income relative to that of market income. The impact on inequality is driven by the size of transfers, as well as by their structure, i.e. whether these transfers are going relatively more to lower or higher incomes.

Figure 7. Concentration index (ranking by gross income) and redistributive impact, mid 2000s.



Source: Luxembourg Income Study

Note: 1) for Belgium, France, Greece, Hungary, Slovenia and Spain calculations are based on disposable incomes instead of gross incomes due to data availability. 2) The countries included in Korpi and Palme (1998) are in bold.

Looking more closely at this graph, at the left hand side are Australia, the United Kingdom and Denmark, all characterized by having benefit systems that are the most strongly pro-poor of all countries. Yet the redistributive impact in Denmark appears to be much stronger. Similarly, looking at the countries with still strong pro-poor spending (concentration indices between -0.2 and 0), the corresponding redistributive impact differs a great deal. Some of the countries with the strongest redistributive tax/transfer systems are to be found here (Sweden and Finland), together with some countries with the weakest (the USA, Canada, Israel and Switzerland). On the right hand

side of the graph – the countries with positive targeting coefficients – the relationship does become consistently negative, especially in the countries with the weakest pro-poor spending (Greece, Spain and Italy).

Why does a similar degree of strong targeting, as captured by the concentration index, produce stronger redistributive outcomes in Denmark as compared to the UK and Australia? Similarly, why do similar (quasi)-universal systems yield such different redistributive outcomes across countries? This strongly suggest that design features matter. It is notable that one relationship remains fairly strong: the one between the extent of targeting and the size of the system. But there are exceptions here: a country like Denmark does combine a strong degree of targeting with a high level of social spending.

The strongest redistributive impact is achieved by countries that combine moderate (Sweden and Finland) to strong targeting (Denmark) with comparatively high levels of spending. This suggests that the most redistributive systems are characterized by what is called ‘targeting within universalism’. That is to say: system in which many people receive benefits but where the poorest get relatively more. Other studies yield similar results. Corak, Lietz and Sutherland (2005), for example, find that universal child related benefits that also have some degree of targeting at the poorest protect best against poverty. Their conclusion is echoed by Van Mechelen and Marchal (2012).

Yet it is interesting to note that the very strong relationship between the extent of targeting and the size of the spending has weakened, as is documented by Kenworthy (2011). One of the factors that arguably made targeted systems less politically robust and prone to spending cuts in the 1980s was the fact that strongly targeted (means-tested) benefits entailed strong work disincentives and also (perceived) family formation incentives. The last decades have seen an intensified attention to this issue. To reduce work disincentives, earnings disregards have been introduced for people who make a (partial) transition from complete benefit dependency to part-time work.

Most importantly, perhaps, means-tested benefits are no longer exclusively aimed at people not in work, but also at those in work in low-paid jobs. The French RsA scheme is a good example of a new style means-tested benefit scheme that offers integrated support for the non-employed and (part-time) low paid workers alike. The scheme also has entirely different work incentives. The RSA (Revenu de Solidarité Active), was introduced in France in 2008 the specific aim of remodeling the incentive structure of people on social assistance, and particularly to make work or returning to education a more lucrative financial prospect. The previous minimum income system (Minimum Integration Income - RMI) was based on a one for one trade-off of benefit for earned income, so that EUR 100 earned led to a deduction of EUR 100 from benefit paid. Under RSA a “62% slope” is applied so that earning EUR 100 leads to a EUR 38 deduction in benefit paid. Efforts have also been made to encourage

beneficiaries of RSA into employment, for example with assisted employment contracts and (improved) insertion mechanisms.

In addition, the RSA has simplified the provision of social protection by combining several previously separate schemes into a single sum. A household with no earned income is eligible for the “basic RSA” which is defined at the household level and takes into account the composition of the household. The “in-work RSA” acts as a top-up for people paid less than the national minimum wage (SMIC).

The point here is that targeted, means-tested systems look totally different today from the systems in place in the 1980s. Whereas the old systems were the focus of harsh welfare critiques, especially from the right, the new targeted systems are lauded as the essential gateways of welfare to work. They enjoy broad partisan support, as is evident in the UK where the WTC, implemented by the Labour government is maintained and expanded by the conservative one. Similarly, in France, the newly elected socialist government has no intentions for a major overhaul of the RSA.

In the United States, the Earned Income Tax Credit – a transfer program for households on low earnings - has become the country’s pre-eminent welfare programme (Kenworthy, 2011). The system appears to enjoy far broader and more robust political support than earlier American anti-poverty programmes. The system also is less strongly targeted than earlier provisions and it caters to larger sections of the electorate, including the (lower) middle class, and this may account for that expansion. But an equally if not more important factor may well be the fact that the system is perceived to encourage and reward work.

In a related analysis in GINI DP49 *Tommy Ferrarini, Kenneth Nelson and Helena Höög* analyze the fiscalization of social protection policy and the associated trend towards low-income targeting in the area of child benefits. Welfare states have been subject to a subtle and sometimes unrecognized transformation: the fiscalization of social benefits. This change of national policy is particularly notable in the area of family policy, where various forms of child tax benefits have been introduced. During this process of fiscalization, elements of income-testing are once again introduced to child benefits, thus, adding further emphasis on vertical redistribution between socio-economic groups. Thus, a greater degree of low-income targeting has come to characterize child benefits, moving family policy closer to traditional forms of minimum income benefits. Drawing on new comparative and institutional data on child benefit programs from the Social Policy Indicator Database (SPIN), this paper analyzes the development of child benefits in comparative perspective for the period 1960-2005. Since the non-European liberal welfare democracies in several ways have been forerunner in the fiscal transformation of child benefits, the study is broadened beyond the European context and covers also developments in English speaking welfare democracies. To-

gether the empirical analyses cover child benefit developments in 18 OECD countries. Substantial changes in the fiscal and social policy mix of child benefits are observed. Child benefits have increased in most countries, albeit the size of benefits varies extensively across countries. The composition of child benefit systems has not converged into a general model. Some countries use only universal child benefits, whereas other countries rely exclusively on child tax benefits. Yet another group of countries combine universal child benefits and child tax benefits. Benefit levels tend to be higher among the countries that include universal elements in the composition of child benefits.

The issue of targeting is again explored from yet another angle in Gini DP 25 “Is the “neighbour’s” lawn greener? Comparing family support in Lithuania and four other NMS”. There Salanauskaite and Verbist ask: to what extent can a country’s effectiveness in reducing child poverty be attributed to the size of family cash transfers (i.e. both benefits and tax instruments) or to their design? In this paper, they aim at disentangling the importance of each of these two factors, focusing on the family support system in Lithuania and comparing it with four other new member states. Despite increased susceptibility to poverty in Lithuania, single parent families have less state support than large families. This contrasts with other former communist countries, such as Estonia, Hungary, Slovenia or the Czech Republic, where both large and single parent families much better protected. The question is whether their family transfer systems would achieve similar results in Lithuania. They employ the EUROMOD microsimulation tax-benefit model to swap family policies across countries and test whether size or design have greater effects on child poverty reduction in Lithuania.

In line with the literature, the size of the transfers comes out as the major determinant of child poverty. Nevertheless, they find the design effect to be of equal significance when swapping Hungarian and Slovenian child transfer packages into Lithuania, especially for large families. The strength of the size and the design effects are highly dependent on the composition of the selected measures (universal, categorical, income selective) and the parametric choices of the policies’ inner design (i.e. thresholds, benefit size determination, etc.). The best poverty score is not necessarily achieved by the most extensive or exclusively means tested transfers. Categorical or universal benefits, sensitive to characteristics of the poor families, can act as highly effective tools.

3. Incrementalism vs innovation in minimum protection and redistribution

It is increasingly argued (see e.g. Morel et al., 2011; Vandenbroucke et al., 2011) that improved minimum income protection will not come from augmenting/expanding the traditional pillars of minimum income protection, for example higher minimum wages or more generous social insurance or social assistance levels. These are seen as not only as failing to address today’s social risks and needs, but as exacerbating underlying problems such as exclusion from the labour market, entrapment in passive benefit dependency, etc. These are also said to be stand-

ing in the way of innovative mechanisms of social protection that are pro-active and self-sufficiency enhancing, such as active labour market policies, in-work benefits, tax credits, and services such as child care, and improved education and training.

This issue features prominently in a DP51 by Marx and Nolan that looks at the issue of in-work poverty.

While in-work poverty is not a new problem, the degree of attention it is receiving in Europe is more recent (Fraser et al., 2011; Crettaz, 2011; European Commission, 2011). A first part of the paper addresses trends and causes of in-work poverty. A second part of the paper is about possible policy options and contrasts incremental versus innovative policy options.

A variety of potential tools are available to tackle in-work poverty. One can think of that toolset as consisting of policies distinguishable on two dimensions, as shown in Figure 8. One dimension of differentiation is whether the policy in question seeks to have a direct or indirect impact in income. Minimum wages, (child) benefits and tax measures have a direct impact on personal or household income. Indirect measures can either seek to increase individual earnings potential (education, training) or to accommodate/stimulate higher work intensity at the individual or household level (e.g. child care policies). Another dimension is whether the policy instrument is incremental (i.e. builds on or augments existing provisions) or whether the policy tool is new and seeks to replace or complement existing policies. Among the set of innovative direct income support measures belong the so-called ‘negative income taxes’ and in-work benefits that are increasingly promoted as solution for in-work poverty.

Figure 8: the policy toolbox to address in-work poverty

	INCREMENTAL OPTIONS	NEW OPTIONS
DIRECT INCOME SUPPORT	<ul style="list-style-type: none"> - raising the minimum wage/ wage floors through regulation - (targeted) tax relief - (targeted) reductions of employee social security contributions - (targeted) child benefits 	<ul style="list-style-type: none"> - negative income taxes - (means-tested) in work benefits
INDIRECT SUPPORT	<ul style="list-style-type: none"> - upskilling/training - demand policies (subsidized employment, wage cost subsidies) - active labour market policies - facilitating labour participation (e.g. child care) 	<ul style="list-style-type: none"> - Innovative demand oriented policies (e.g. service cheques) - Innovative supply focused policies (empowerment)

Focusing on direct income support policies, Marx and Nolan argue in DP51 that the incrementalist path does appear to run into certain limits. In some EU countries minimum wages remain non-existent or low relative to average wages. However, the route of introducing or boosting minimum wages to the upper ranges currently prevailing in Europe (relative to average earnings) would, even in the absence of negative employment effects, not be sufficient to eradicate in-work poverty. Even in countries where minimum wages are comparatively high they do not suffice to keep sole breadwinner household out of poverty, especially when there are dependent others or

children. They argue that minimum wages have probably become inherently constrained in providing minimum income protection to sole breadwinner households, especially in countries where relative poverty thresholds have become essentially determined by dual earner living standards.

For low-earnings households, only direct household income supplements may offer a reasonable prospect to a poverty free existence, especially when there are dependent children. Such ‘in-work benefits’ are now often associated with Anglo-Saxon-type “tax credits” such as the EITC in the United States and the WTC in the United Kingdom. However, the socio-demographic, economic and institutional context remains vastly different in much of the rest of Europe. While demonstrably effective in particular settings and for particular groups, EITC/WTC type schemes do not appear to offer a model for wholesale emulation (see also next DP). Moreover, Anglo-Saxon type tax credits are strongly targeted, which implies a potential cost in terms of mobility “traps” and wage erosion. From the perspective of horizontal equity and public support for the system there may also be limits to such strongly targeted measures. By contrast, less strongly targeted income supplements, like for example universal (but possibly categorically or otherwise modulated) child benefits, can have an immediate impact on poverty among those at high risk (i.e. child rich households) without adversely affecting work incentives between workers and non-workers, although an income effect may have a dampening effect on labour supply among both categories . But for such benefits to be effective across the board as an anti-poverty device they need to be high, even when to some extent categorically differentiated or income modulated, and this inevitably comes at a significant budgetary cost.

Marx, Vanhille and Verbist (2012) consider the same issues by a closer examination of the Belgian case. Belgium represents an interesting case for a number of reasons. First, Belgium has one of the lowest in-work poverty rates in the European Union with around 5 per cent of workers living in financial poverty in 2008, relative to the 60 per cent of median equivalent household income threshold. Still, about a third of the population at working age living in financial poverty has a job. Around 50 per cent of working poor households are households with children. Second, Belgium has a comparatively compressed wage structure. According to OECD figures, it has just about the lowest incidence of relatively low-paid work in the OECD area. At the same time, taxes and social security contributions on wages are on the highest side of spectrum. In that sense, it combines two contextual features that make many of the Continental European welfare states substantially different from the Anglo-Saxon countries that have received significantly more attention in the literature.

It is demonstrated that, at least in Belgium, even substantially higher minimum wages would have a limited impact on in-work poverty, and at the cost of rises in labour costs and significant spill-overs to households in the middle and upper regions of the income distribution. Moreover, given that in the recent past median living standards and hence relative poverty thresholds have been pushed up, not only by rising wages but also by the proliferation of dual earnership, the increases in minimum wages required to keep workers solely relying on it above the poverty threshold are by now so substantial that they are hardly conceivable. Reduced social security contributions and well-targeted individual tax credits increase the net pay of low-paid workers, but since most of them do not live in a household with a combined disposable income below the poverty line, the impact on poverty is again very limited. And there are other considerations. A further shift from proportional to progressive contributions clashes with the insurance rationale of the Bismarckian systems prevalent in Continental Europe. This implies that the approach of reducing employees' contributions and deviating further from the equivalence principle has its limits. The fundamental problem with both policy options from a poverty reduction viewpoint is that they are targeted at low-paid workers, not households with insufficient combined earnings. What then about tax relief for households rather than individuals on low earnings? As we have demonstrated for Belgium, in order to be effective as an anti-poverty device, such tax measures need to be strongly targeted. But strong targeting at households with low earnings is bound to create mobility traps. These can be avoided if taper-off rates are sufficiently flat, but that comes 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. In addition, from the perspective of horizontal equity and public support for the system there are probably limits to strongly targeted tax measures.

4. Direct income support vs. activation and empowerment for economic self-reliance

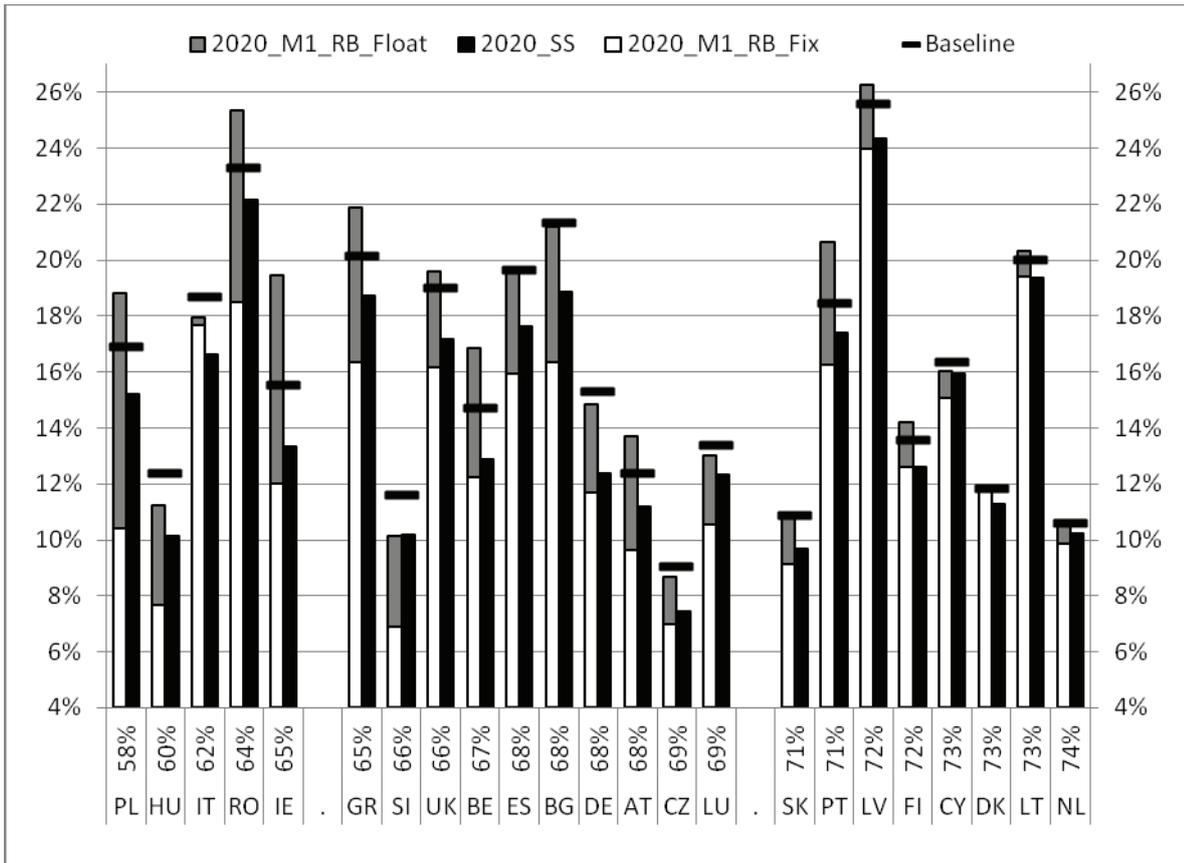
As indicated in a previous section, there appears to be a shift away in social policy from passive income support towards activation and what is called social investment. But what is the reality of activation and social investment?

Considering activation first, the idea that employment growth and poverty reduction are natural and inseparable allies has long been central to the EU's strategic agenda. This notion was particularly central to the Lisbon Agenda and it remains at the core of the Europe 2020 Agenda, although there seems to be an implicit recognition now that higher levels of employment may not automatically bring better social inclusion outcomes.

Past experience teaches us that employment growth does not always affect the distribution of work across households in such a way as to reduce poverty. In many of the best performing countries in terms of employment growth, relative poverty rates for the working aged population have increased or remained stagnant (Cantillon, 2011). It is for that reason not self-evident that future employment growth will translate into better poverty and social inclusion outcomes, especially since the still to be included segments have weaker profiles.

In DP15, Marx, Vandenbroucke and Verbist simulate the possible impact of poverty of boosting employment levels to the Europe 2020 targets. Up until now shift-share analysis has been used to estimate the impact of rising employment on relative income poverty. This method has serious limitations. They propose a more sophisticated simulation model that builds on regression based estimates of employment probabilities and wages. This model is used to estimate the impact on relative income poverty of moving towards the Europe 2020 target of 75 percent of the working aged population in work. Two sensitivity checks are included: giving priority in job allocation to jobless households and imputing low instead of estimated wages. The paper shows that employment growth does not necessarily result in lower relative poverty shares, a result that is largely consistent with observed outcomes over the past decade (Figure 9).

Figure 9. Poverty rates before and after increase of employment to 75% using shift-share and regression-based approach (fixed and floating poverty line), active age population



Baseline: current poverty rates; 2020_SS: poverty rates after increase of employment rates with shift-share methodology; 2020_M1_RB_Fix: poverty rates after increase of employment rates with RB methodology and poverty line fixed; 2020_M1_RB_Float: poverty rates after increase of employment rates with RB methodology and poverty line recalculated.

Countries are ranked from low to high current employment rates.

Source: own calculations on EU-SILC 2008.

A crucial factor is whether a fixed or floating poverty line is used. When a regression model is used to simulate the income distribution following a rise in employment and the poverty threshold is held constant, the poverty reducing impact is a very strong one. It tends to be even stronger than with the shift-share method because the regression based method effectively favours those with relatively high employment probabilities and earnings potential. However, income poverty as it is measured in the EU and in most studies builds on a relative notion of poverty. Thus the poverty threshold needs to be sensitive to changes in the level and distribution of income as employment changes.

By accounting for possible changes in the poverty line, the paper goes a step beyond static first round effects, thus distinguishing between the direct impact of increased employment and the indirect effect on the entire income distribution, an insight that is not provided by shift-share analysis at all. In almost all of the countries analysed, poverty decreases, but much less than could be expected taking into account the large employment shifts. In some countries, the poverty headcount effectively increases compared to the baseline scenario of no change in employment. Interest-

ingly, most poor individuals that actually get a job in our simulations move out of poverty. However, due to changes in the poverty line, overall poverty rates do not necessarily follow suit. Employment growth improves the income position of some individuals, especially those that actually get jobs, but it also causes the relative position of others to deteriorate, *ceteris paribus*. Much depends on where in the overall income distribution the newly created jobs end up, and that is not always predominantly in the bottom half of the distribution. This fact is also reflected in the finding that rising employment does not produce commensurate drops in household non-employment.

This brings us to the wider issue of the distributive impact of activation/ social investment policies. Over the last 25 years, expenditure on services, especially health and child care, has increased significantly in many European countries. At the same time, spending on cash transfers other than pensions has declined as a proportion of GDP (Vandenbroucke & Vleminckx 2011).

The core idea behind the social investment thinking is that social policy should stimulate and support people to be economically self-reliant and policies (including education) and that it should help them to increase their potential for economic self-reliance and a life free from poverty and need. The implication is that this ought to entail a shift of resources and policy attention. But while there is widespread agreement that a (partial) shift towards more preventive policies is at least desirable, much less unanimity is to be found on the question as to how radical this shift ought to be. Opinions here range from: there needs to be a radical shift in expenditure to there needs to be a renewed balance.

Esping Andersen et al. (2002) advocate a rather radical shift “As the new social risks weigh most heavily on the younger cohorts, we explicitly advocate a reallocation of social expenditures towards family services, active labour market policy, early childhood education and vocational training, so as to ensure productivity improvement and high employment for both men and women in the knowledge-based economy.”

Vandenbroucke et al. (p.14) take what appears to be a more nuanced view: “We know that egalitarian societies are more successful in implementing social investment policies. The fact that it is a precondition urges us to remember the merits of traditional social protection and anti-poverty programmes, and suggests that reducing income inequality should remain high on the social investment agenda. Hence, there is a need for a balanced approach, with an ‘investment strategy’ and a ‘protection strategy’ as complementary pillars of an active welfare state. Half-baked social investments will make it impossible to turn vicious intergenerational circles of disadvantage into virtuous circles of capacitation, inclusion and emancipation.” While Vandenbroucke et al. advocate a partial shift it is still unclear from this statement where they think that the balance should lie exactly. Is this to

be read as: traditional protection comes first, then social investment? Other proponents are equally vague on the matter (Morel et al., 2012).

Clearly, expenditure on active labour market programmes (ALMP) and on services like child care has increased significantly in many European countries. Since in kind benefits are generally considered to be less pro-poor than cash benefits, this trend has been proposed as a key reason European welfare states proved unable to reduce relative poverty in spite of favourable conditions in terms of economic and employment growth (Cantillon 2011; Vandenbroucke & Vleminckx 2011).

The jury is still out on the question of whether that is true. It is clear, however, that some policies that can be put under the heading of active labour market policies or social investment policies have delivered results that have remained short of expectations. It would us too far to discuss a wide range of programmes in much detail but let us take two examples. Both aim to improve the employment chances and thus incomes of people with weak skills profiles. One set of measures works on the demand side of the labour market, the other on the supply side.

In Europe, many governments have resorted to employment subsidies and cuts in employers' social security contributions to lower the cost of less skilled labour and to improve the labour market prospects of the less skilled as well as other vulnerable groups in the labour market. Such programmes account for a significant share of expenditures on active labour market programmes in a number of European countries. There are basically two types of subsidies: First, there are subsidies aimed at boosting the employment prospects of very specific groups, such as the long-term unemployed. These tend to be quite substantial, but are provided only for a limited time. Second, there are subsidies (or social security reductions) aimed at low-skilled workers in general. These tend to be permanent, but they also tend to be more modest in magnitude compared to highly targeted subsidies.

Theoretical models and simulations have generally suggested that reductions in employers' social security contributions could have a substantial impact on employment for the less skilled and other vulnerable groups like the unemployed. Economists like Phelps (1997) and Snower (1994; 1997) were prominent advocates of turning 'passive' spending on such items as unemployment benefits to 'active' spending on subsidies that improve employment prospects. Many countries did introduce such employer subsidy programmes (although rarely by directly substituting passive spending on unemployment benefits for active spending on subsidies). A number of these programmes have been subjected to empirical evaluation studies. Although results vary it is fair to say that the measured net employment effects have consistently turned out *far* smaller than envisaged and/or theoretically predicted (Marx, 2001; Card, Kluve and Weber, 2010). A telling illustration in this context is the Belgian case.

Despite being just about the biggest spender on employment subsidies relative to GDP, and this through a plethora of different schemes. Belgium maintains one of the highest long-term unemployment rates in the OECD area.

Let us turn to a supply side example. If there is one policy that has been widely advocated and also implemented it is the expansion of subsidized or state provided child care. This is seen as essential for boosting employment rates, optimizing the use of human capital and talent and stimulating equality of opportunity in the labour market. It is also advocated as a good policy from the viewpoint of child development and equality of opportunity in education.

The nature of government investment for families with young children has changed dramatically: from passive cash benefits (such as child benefits) to more activating and employment-related services and measures (such as parental leave and childcare). But who benefits from government investments on public childcare? If childcare policies are mainly used by those already working, and (scarce) budgetary resources thus end up with the higher income brackets, a genuine concern arises about the distributional consequences of childcare policies. Answering this question is a complex endeavour, because one has to simultaneously take into account the (possibly income-differentiated) tariff structure of childcare services and private childcare costs (parental fees), government expenditures (subsidies to childcare providers) and tax concessions. The way the labour market works also matters; if there are other barriers for entry or if demand is weak or skewed it may be not matter whether or not child care is widely available and cheap.

In GINI DP10 Van Lancker and Ghysels develop a fine-grained analysis to reveal the distributional impact of public childcare for two countries (Flanders/Belgium and Sweden) already reaching the Barcelona targets for under 3s. They find that, although both cases report high coverage rates, Sweden and Flanders have very different and even opposite distributional outcomes. In Flanders there clearly is a ‘Matthew-effect’ with more of the benefits effectively flowing to the upper quintiles. That is particularly striking because the policy is intended to work exactly the other way around. There is a strong income-gradient in the child care subsidies; the lowest income groups get their child care costs fully subsidized while substantial co-payments are required from the higher incomes. And yet the benefits mainly end up with the higher income households. The reasons are not entirely clear. It may be the case that less skilled women, who are more likely to be employed in for example retail services or restaurants, have need for child care outside of the regular hours, like in the evening or during the weekend. It may also be the case that there is just insufficient work for them and that the causes are to be found in the organisation of the labour

market and not in the design of the subsidies themselves. Still, this example provide us with the valuable lesson that the effective redistributive impact of such services may be fundamentally different from the intended one.

In Gini DP53 Verbist and Matsaganis (2012) empirically assess the impact of services on inequality and poverty in a broader perspective, looking at a broader range of services and a broader set of countries. They try to answer the question whether services targeted at non-elderly individuals are redistributive. When looking at the total of health care, education and other social services, they find the answer to be clearly yes for the EU countries considered in the analysis. Especially compulsory education and health care both reduce inequality when compared with a hypothetical situation without these publicly provided services. The answer to the question whether these in-kind benefits are less redistributive than cash transfers requires more consideration. When comparing the Reynolds-Smolensky index for cash transfers with that of in-kind benefits, one might be inclined to conclude that services reduce inequality more than cash benefits do. However, it is important to disentangle here a size and a design effect, as services going to non-elderly individuals are in all countries much more important in size than cash transfers (excluding pensions). Therefore, they also calculate concentration coefficients of the various instruments, thus allowing a focus on the distributive structure and eliminating the size effect. These coefficients also suggest that cash transfers turn out to be more pro-poor than in-kind benefits in most countries. At the margin, cash transfers are on average the most pro-poor of the policy instruments, closely followed by the in-kind benefit from compulsory education. The in-kind benefit derived from tertiary education expenditures is the least pro-poor. Unfortunately they cannot fully answer the question of whether the relative shift to services has eroded the redistributive power of the welfare state, mainly because there is insufficient data for comparisons over time.

Clearly, more research is needed here. The purpose and design of various social services differs widely, and their measured effectiveness and redistributive impact depends not only on these design features but also on contextual factors. General conclusions are hard to draw. But on the basis of what we know today it seems legitimate to be at least cautious about investing too much hope in a radical and wholesale shift from cash spending towards services.



Task 6.3 Towards an integrated approach

The policy work package aims to inform policy on the distributional implications of alternative policy strategies. In this respect, international comparisons are key. The identification of best-practices and clusters of EU countries are recurrent themes in many papers of the work package.

In a GINI DP entitled ‘Successful policy mixes to tackle the impact of rising inequality on children: an EU-wide comparison’ Gábos evaluates the performance of different EU Member States with regard to outcomes in terms of child poverty and well-being. He develops a country typology based on the following dimensions: income poverty risk outcomes, main factors underlying the poverty of children (mostly household composition and labour market participation of parents) and performance of related policies. His paper identifies clusters of EU countries, distinguishing those where the challenges relate mainly to household joblessness from Member States where income poverty raises particular concern. His analysis shows that there is not necessarily a trade-off between these dimensions: There is a set of countries that faces difficulties in both respects, but also a number of countries that perform well on several dimensions. The latter include Denmark, Austria and the Netherlands, which are identified as possible best practices.

Márton Medgyesi analyses ‘Conditional Cash Transfers for human capital investment in OECD countries’. As the author notes, making cash benefits conditional on certain behavioural requirements is a policy strategy that has gained prominence in many developing countries. In this context, they are often used with the aim of promoting human capital accumulation or preventive health care for children (school enrolment, regular attendance, regular medical examinations, vaccinations). The organisation and impact of these programmes (such as Progresia in Mexico or Bolsa Escola in Brazil) have been extensively reviewed.

In OECD countries, conditional cash transfers (CCTs) are mainly used within the context of labour market policy (activation measures, job search requirements). More rarely, yet increasingly, developed countries apply conditional cash benefits to human capital accumulation of children. The author considers existing programmes, differentiating between ‘scholarship type’ benefits, which entail education-specific benefits and ‘sanction type’ programmes, where non-compliance (e.g. truancy) with regulations is sanctioned with (the threat) of discontinued benefit provision. Medgyesi’s paper reviews theoretical predictions about behavioural effect of the two types of CCTs. It presents CCT programmes in developed countries related to child health and schooling in pre-school, compulsory schooling and post-compulsory schooling. Finally it reviews results on the impact of these pro-

grammes on behaviour concerning human capital investments (enrolment, absenteeism from school, participation at health exams).

In a similar analysis of ‘policy mimicry’, Paulus and Peichl investigate the effects of a hypothetical adoption of flat tax, a distinctively ‘Eastern European’ policy tool, by Western European countries. Their paper is entitled ‘Inequality neutral flat tax reforms in Europe: differences between East and West’. Over recent decades, and particularly in Eastern Europe, flat tax has gained prominence and popularity. Its proponents argue that a single marginal rate (above a certain threshold) has clear advantages in terms of economic incentives, as well as administration (including less evasion).

Based on EUROMOD, and starting from existing tax-benefits systems, the authors simulate flat tax rates for Western European countries that are both revenue neutral (i.e. no increase or decrease in budget) and inequality neutral (resulting in a stable Gini-coefficient). These simulations suggest that in order to meet these conditions, flat tax rates in Western European countries would have to be significantly higher than the rates that are currently applied elsewhere. Moreover, beneath the stable Gini-coefficient, the introduction of flat tax rates would imply net winners and losers, with high income groups tending to be among the latter. Both these results question the political feasibility of flat taxes in Western European countries, although they would seem more likely in the UK and Mediterranean countries than in Austria, Belgium, Finland, Germany or the Netherlands. Moreover, in actual practice, the requirement of budget and inequality neutrality might be relaxed.

The role of taxes and benefits in shaping the income distribution is a recurrent theme in the policy work package. Fuest et al. argue that the operationalization matters to a great extent. The authors compare standard approaches of inequality analysis with factor source decompositions. As they show in their analyses, the different approaches suggest starkly different effects of policy tools. Analyses based on the standard approach typically point to benefits as having the most decisive impact on inequality. Studies that apply the factor source decomposition approach come to very different conclusions: in such an approach, taxes and social contributions are typically the main instrument of redistribution. Benefits have a rather negligible impact in a factor decomposition, and in some cases can even contribute to inequality, rather than reducing it. The authors indicate that contradictory conclusions based on different models are due to distinct normative assumptions and methodological choices. The standard approach applies taxes sequentially, whereas they are accounted simultaneously with benefits in a factor decomposition. In the latter, the correlation between disposable incomes and corresponding income components matters critically. In many cases, the correlation between benefits and disposable income is weak, whereas there is a substantial link between disposable income and taxes. The authors warn that these differences must be interpreted

with caution: the fact that benefits seemingly contribute to inequality in factor decompositions should not motivate their abolition. Rather, they show that benefits often serve other purposes besides redistribution (such as supporting the elderly or families with children).

In a cluster analysis based on redistributive effects, the authors provide further support for the view that Continental European Countries, Nordic countries and Mediterranean countries represent distinct regimes. However, their results qualify the view that the countries that joined the EU since 2004 consist of a distinct group. Rather, they find that Central Eastern European countries show similarities with Continental Western European welfare States. Baltic states seem to represent a more idiosyncratic group, less related to other regimes, but closest to the Mediterranean countries.

Conclusion

It is difficult to draw out general conclusions from a work package that has covered a wide set of issues. We will restrict ourselves to some general points that a direct bearing on the policy options that are presently under discussion within the context of the Europe 2020 Agenda.

A first important point is that while giving more people access to work is important for a wide range of reasons, increasing the proportion of people in work does not automatically translate into less poverty and inequality. This is what past experience teaches us and also what projections suggest. Part of the problem here is that low work intensity households, those most in need of extra work and income, do not tend to benefit sufficiently from job growth. Another problem is that gaining access to a job does not necessarily imply a significant move up the income ladder and out of poverty.

This points us to the key importance of adequate minimum income protection provisions for workers and non-workers alike. Minimum income protection has reappeared on the European agenda, in part following a European Parliament Resolution on this issue. The crisis has also added urgency to this issue. We have documented in great detail the inadequacy of existing minimum income provisions relative to the EU's own relative poverty threshold. Minimally sufficient levels of minimum income protection are not necessarily prohibitively expensive and potentially compatible with, if not conducive to well-functioning and dynamic labour markets. But this is not to say that there are no important constraints to implementation.

Adequate poverty relief does however require more than minimally adequate social safety nets: it requires substantial social spending channelled through various programmes. Programmes exclusively or very strongly targeted at the poor have historically tended to be less effective in reducing poverty than expected; targeting within universalism broadly appears to be the model to aim for.

A shift towards more pro-active social policies is needed and indeed desirable. It is clearly important to think about effective policies (social investment) that prevent situations of need arising in the first place. However we also need to be cautious about radically shifting resources towards innovative, well-intentioned but untried social policy models, at the expense of social policies of proven effectiveness. We probably need to pursue several tracks at the same time and this inevitably comes at a cost. The best performers among the European countries in terms of economic, employment, social cohesion and equality outcomes have one thing in common: a large welfare state that seeks to do several things at the same time, investing in people, stimulating and supporting them to be active and also adequately protecting them and their children when everything else fails.



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Information on the GINI project

Aims

The core objective of GINI is to deliver important new answers to questions of great interest to European societies: What are the social, cultural and political impacts that increasing inequalities in income, wealth and education may have? For the answers, GINI combines an interdisciplinary analysis that draws on economics, sociology, political science and health studies, with improved methodologies, uniform measurement, wide country coverage, a clear policy dimension and broad dissemination.

Methodologically, GINI aims to:

- exploit differences between and within 29 countries in inequality levels and trends for understanding the impacts and teasing out implications for policy and institutions,
- elaborate on the effects of both individual distributional positions and aggregate inequalities, and
- allow for feedback from impacts to inequality in a two-way causality approach.

The project operates in a framework of policy-oriented debate and international comparisons across all EU countries (except Cyprus and Malta), the USA, Japan, Canada and Australia.

Inequality Impacts and Analysis

Social impacts of inequality include educational access and achievement, individual employment opportunities and labour market behaviour, household joblessness, living standards and deprivation, family and household formation/breakdown, housing and intergenerational social mobility, individual health and life expectancy, and social cohesion versus polarisation. Underlying long-term trends, the economic cycle and the current financial and economic crisis will be incorporated. Politico-cultural impacts investigated are: Do increasing income/educational inequalities widen cultural and political ‘distances’, alienating people from politics, globalisation and European integration? Do they affect individuals’ participation and general social trust? Is acceptance of inequality and policies of redistribution affected by inequality itself? What effects do political systems (coalitions/winner-takes-all) have? Finally, it focuses on costs and benefits of policies limiting income inequality and its efficiency for mitigating other inequalities (health, housing, education and opportunity), and addresses the question what contributions policy making itself may have made to the growth of inequalities.

Support and Activities

The project receives EU research support to the amount of Euro 2.7 million. The work will result in four main reports and a final report, some 70 discussion papers and 29 country reports. The start of the project is 1 February 2010 for a three-year period. Detailed information can be found on the website.

www.gini-research.org





GINI GROWING INEQUALITIES' IMPACTS

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