

Sainsbury, Diane; Morissens, Ann

Working Paper

European Anti-Poverty Policies in the 1990s: Toward a Common Safety Net?

LIS Working Paper Series, No. 307

Provided in Cooperation with:

Luxembourg Income Study (LIS)

Suggested Citation: Sainsbury, Diane; Morissens, Ann (2002) : European Anti-Poverty Policies in the 1990s: Toward a Common Safety Net?, LIS Working Paper Series, No. 307, Luxembourg Income Study (LIS), Luxembourg

This Version is available at:

<https://hdl.handle.net/10419/160979>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

Luxembourg Income Study Working Paper Series

Working Paper No. 307

European Anti-Poverty Policies in the 1990s:
Toward a Common Safety Net

Diane Sainsbury and Ann Morissens

June 2002



Luxembourg Income Study (LIS), asbl

European Anti-Poverty Policies in the 1990s: Toward a Common Safety Net?

Diane Sainsbury and Ann Morissens

Diane Sainsbury
Department of Political Science
University of Stockholm
S-106 91 Stockholm, Sweden
+46 8 16 25 30
diane.sainsbury@statsvet.su.se

Ann Morissens
Department of Social Sciences
Roskilde University
DK-4000 Roskilde
+45 46 74 25 76
annmo@ruc.dk

ABSTRACT

Using the notion of the poverty regime as a heuristic device, this paper examines the safety nets of several members of the European Union and three candidate countries: Belgium, France, Germany, the Netherlands, Italy, Spain, the United Kingdom, Denmark, Finland, Sweden, the Czech Republic, Hungary and Poland. It addresses two broad issues: 1) Has there been a convergence in the safety nets of these member countries of the European Union during the 1990s? 2) What are the implications of enlargement of the European Union for the creation of a common safety net? Initially several dimensions of the poverty regime are employed to compare the safety nets. Subsequently we analyse the incidence of poverty and poverty reduction for the entire population and vulnerable groups—the unemployed, solo mothers and large families, and the elderly—in the countries using data from the Luxembourg Income Study. In analysing poverty reduction effectiveness we utilise both relative and absolute measures to gauge the impact of income maintenance policies, distinguishing between the safety net and other transfers. The analysis reveals that during the 1990s the poverty rate increased in most countries and in many instances for vulnerable groups; an exception was the elderly. Means tested benefits assumed growing importance in alleviating poverty, but reforms also produced diversity in the safety nets across Europe. Contrary to earlier theorising that means tested benefits are marginalized in the social democratic welfare state regime, we find that the safety nets in these countries often equalled or surpassed that of the UK in reducing poverty. Finally, apart from impressive poverty reduction, the policies of the three candidate countries did not form a distinctive poverty regime. Instead they tended to cluster with other member countries.

Key words: means tested benefits, poverty, social protection, social assistance, European Union

Introduction

Many observers view globalisation and European integration as driving forces behind welfare state convergence. They argue that these forces erode the capacity of the nation-state both economically and politically. Economic pressures compel a scaling down of social commitments, leading to a minimal welfare state. Further, economic exigencies narrow the space where political decisions count, diminishing the importance of partisan politics and the possibility of divergent policies.

Nonetheless, speculations about a single European welfare state have produced vastly different scenarios, ranging from the status quo to a supranational welfare state (Berghman 1991). Those arguing the likelihood of little change point out that social policies proper remain the prerogative of the member states. Existing policies are embedded in national institutions and traditions, the policies enjoy great popularity, and beneficiaries form powerful constituencies interested in maintaining current arrangements. Nor do European Union institutions have the administrative and fiscal capacities that characterise welfare states. Finally, even if the European Union gained more powers in this policy area, substantial diversity would persist because the member countries are responsible for implementation (e.g. Peters 1992). The arguments for social policy integration emphasise that the emerging multi-tiered European system creates a dynamic of interdependence through shared authority over policy areas, resulting in semi-sovereign states (Leibfried and Pierson 1995). This hollowing out of the state can affect existing levels of social provision, and the situation is further exacerbated by an asymmetry in the European integration process. Negative integration—the removal of barriers—has weakened the governmental capacities of the member countries to regulate the economy. Simultaneously there has been a brake on positive integration—the capacity for market-correcting regulation at the European level

(Leibfried 1992, Scharpf 1999). Others are less pessimistic, assigning importance to soft law (non-binding decisions such as recommendations) as a positive and much underestimated influence on social policy convergence (e.g. Cram 1997).

On one point, however, both sides seem to agree. Scholars who view the governments of the member countries as the major players shaping social policy point to a logic of negotiation that encourages policies based on the lowest common denominator because of the many veto sites due to the requirement of unanimous decisions or qualified majorities. Similarly, proponents of multilevel governance note that the resulting shared policy responsibility produces a proclivity to ‘pursue lowest-common-denominator policies, reflecting the views of the least ambitious participants in a minimum winning coalition’ (Leibfried and Pierson 1995: 25).

In this paper we take this point seriously and examine social safety nets across European countries. In many respects, the safety net represents the bottom line and presumably a common denominator across welfare states. The alleviation of poverty has been an official concern of the Commission and the member states since the mid-1970s when the first Poverty Programme was adopted.¹ The poverty issue assumed new urgency with the slowing of economic growth and rising unemployment in the 1980s, and around 1990 nearly 50 million Europeans were living under the poverty line (Eurostat 1994: 185) and toward the end of the decade the number had risen to 60 million Europeans (COM/2001/565: 6). The 1992 Recommendation on Sufficient Resources called for the establishment of common criteria concerning sufficient resources and social assistance in the social protection systems of the member countries (Abrahamson 1997: 140). More recently, in *A Concerted Strategy for Modernising Social Protection* (1999), the Commission set as a goal to ‘ensure effective safety nets, consisting of minimum income benefits and accompanying provisions, with a view to efficiently combat poverty and exclusion of individuals and families’.

Using the notion of poverty regime we address two main issues in this paper: 1) Has there been a convergence in the safety nets of the member countries of the European Union during the 1990s? 2) What are the implications of enlargement of the European Union for the creation of a common safety net? To answer these questions we use two waves of Luxembourg Income Study data from the early and mid-1990s to analyse the policies of several member countries and three Central European countries that are candidates for membership. We have selected countries that represent different welfare regimes. The member countries include Belgium, France, Germany, the Netherlands (representing the conservative corporatist regime), Italy, Spain (the southern European regime), the United Kingdom (the liberal regime), Denmark, Finland, and Sweden (the social democratic regime).² The candidate countries are the Czech Republic, Hungary and Poland whose prospects of membership have been the most promising. Although these countries share a Soviet legacy and the transitional experience, their social policies differ. Already in the early 1990s, it was suggested that the emerging post-communist welfare state regimes of Czechoslovakia (especially the Czech lands), Hungary and Poland represented three distinctive types: the social democratic, the liberal capitalist and the post-communist conservative corporatist respectively (Deacon 1992: 172-83).

First we discuss the concept of the poverty regime. Subsequently, the basic safety nets of the countries are examined. After presenting the data and methods, we measure poverty for the entire population, along with vulnerable groups, across countries and the effectiveness of income maintenance policies in reducing poverty, distinguishing between the safety net and other social transfers.

Poverty Regimes

The term ‘poverty regime’ was apparently coined by Stephan Leibfried (1992) but he is rather vague about its meaning. In fact, he uses the term interchangeably with social policy regimes and welfare regimes, only hinting at a distinction. Poverty regime refers to poverty policy and its main instruments—social assistance and possibly a basic income or citizen wage.

The poverty regime concept has both advantages and drawbacks. Among the advantages is that it allows us to problematise the basic safety net and means tested benefits and to ask if and what important variations exist across countries. Gøsta Esping-Andersen’s regime typology assigns special importance to means testing and makes it a defining characteristic of the liberal welfare state regime. In the process he obscures the existence of means tested benefits and their performance in the other welfare state regimes. His typology also assumes the invariance of means tested benefits. The assumption of invariance is shared and further accentuated by dual welfare theorists (e.g. Tussing 1974, Marklund and Svallfors 1987). In arguing that all welfare systems have a dual structure characterised by core and marginal programmes, they identify the marginal programmes as involving means testing. Generally, they presume that means tested benefits are meagre, they are associated with stigma, and the administration of benefits is characterised by stringency and intervention in private lives. Other researchers, for example, Tony Eardley et al. (1996), Francis Castles (1997), and Christina Behrendt (2000) have underlined cross-national variations in means tested benefits. A major weakness of the poverty regime is its unclear theoretical status and problematic relationship to the concept of welfare state regime. In contrast to Leibfried, we believe that it is useful to distinguish between poverty

regimes and welfare state regimes, and we use the concept of poverty regime as a heuristic device to compare safety nets.

We conceptualise poverty regimes as comprised of the following dimensions of variation: the position of means-tested benefits and linked benefits within the social security system, eligibility criteria and resulting coverage, administration, utilisation rates, benefit levels, poverty reduction effectiveness, and poverty ideology (causes and solutions) (cf. Eardley et al. 1996). Of central significance in our conceptualisation of poverty regimes is the dimension of poverty reduction effectiveness and the resulting poverty rates.

Comparative Dimensions of Safety Nets

In this section the basic features of the safety nets are examined with the aim of mapping out similarities and differences. We differ from policy analysts who equate social assistance with the safety net and omit other means tested benefits that are administered as part of social insurance, such as means tested 'social pensions'. This omission rests on an administrative and not a theoretical distinction (cf. Gough 1996). Social pensions where they exist are a part of the basic safety net for the elderly with insufficient resources. Furthermore, emphasis on social assistance in the definition of the basic safety net may block consideration of new ideas and innovative programmes, such as a participation income (Atkinson 1998: 145-9), the Finnish reform of unemployment benefits (OECD 1998a: 70) or the Czech state social subsidies system to guarantee a minimum living standard (OECD 1998b: 176-84). Instead we define the basic safety net as the range of benefits available to guarantee a minimum income based on a resource test (cf. Eardley et al. 1996: 1). In comparing the safety nets of the thirteen countries, we use several of the dimensions of variations of the poverty regime.

Eligibility and Coverage

A defining attribute of means tested benefits and social assistance is that entitlement is determined by need. There is, however, much more variation in qualifying conditions than first meets the eye—and the differences affect coverage. An initial difference of importance concerns general and categorical benefits (Eardley et al. 1996: 27). General benefits are directed to the entire population whereas categorical benefits are targeted to specific groups, such as the aged, the handicapped, solo parents, the unemployed, low income families, refugees, etc. Most countries have both general and categorical programmes, but the Nordic countries are unusual because of their focus on general assistance with few or no categorical benefits.

Additionally countries distinguish themselves in terms of the thresholds of need. A vital distinction here is between *affluence* tests and *poverty* tests (Ferrera 2001: 159). An affluence test excludes only the most prosperous segment of the population. For example, child allowances in the Czech Republic have been income tested since 1995 but over 80 % of dependent children were in families receiving the allowance in 1997 (OECD 1998b: 50-1). By contrast, poverty tests entail tight requirements and limit eligibility to persons with insufficient resources. Poverty tests that take both income and assets into consideration further narrow eligibility and coverage.

Countries also differ in their definitions of the resource unit and the support obligations of the family. A major dividing line is whether resources and liability apply to the nuclear family or an extended family of three generations. In the case of the nuclear family, maintenance responsibilities and the resources taken into account are limited to partners and their minor children. The general legal principle of *obligation alimentaire* broadens responsibilities so that parents are obliged to support adult children and adults their aged parents or grandparents

(Munday 1996: 40-1). Countries with extended family obligations include France, Belgium, Germany and Italy.

Utilization and Duration

Utilization rates are influenced by eligibility rules, administration, and attributes of claimants. Indeed, it has been argued that resource tests—especially means tests—deflate utilization rates. Existing research points to a ‘natural’ ceiling in the take up of means tested benefits at about 80-85 % (van Oorschot 2001: 244-8). Table 1 sets out the utilization of social assistance as a percentage of the total population, not as a percentage of the potentially eligible population. The figures give us some idea of the scope and possible importance of the safety net. There are substantial cross-national variations in utilization rates. A distinct pattern in utilization is also discernible for the duration of benefit. The Nordic countries are set apart by their relatively short duration. Although we do not have data on duration, Poland and Hungary probably also belong to the short duration category because the vast majority of assistance beneficiaries receive emergency payments. By contrast longer spells are commonplace in Germany, the Netherlands and the UK.

(Table 1 about here)

Benefit Levels

Together with eligibility rules and utilization, benefit levels are crucial to the capacity of the safety net to reduce poverty. To lift recipients over the EU poverty line, minimum benefits must amount to roughly 60 % of net average wages. An inspection of Table 2 discloses that few of the countries offer benefits sufficient to reduce poverty rates. Only three countries—Sweden, the

Netherlands and Denmark—provide adequate or close to adequate benefits to all types of families included in the table. France, the United Kingdom, Spain and Germany had the lowest replacement rates, well below 60 per cent. The benefit levels are also indicative of the ‘legal’ poverty line in the countries as well as the stringency or generosity of the resource test. In short, the guarantee minimum income as reflected in the benefit levels of the safety net displays sharp differences across the countries.

(Table 2 about here)

The Position of Means Tested Benefits in the Social Protection System

The position of means tested benefits can be gauged through their scope or ‘size’ and how they interface with other social benefits. The number of individual beneficiaries as a share of the national population offers one indicator of the position of means tested benefits in the social protection system. Using this yardstick, as we have seen, the percentages ranged from 2.7 % (Spain) to 15.3 % in the early 1990s (UK) (Table 1). Additional crude measures of size are provided by spending on this type of benefit both as a percentage of the GDP and as a percentage of social security expenditures. For our countries, spending on means tested benefits as a percentage of the GDP in the early 1990s ranged between 0.4 % (Finland) and 4.1 (UK) (Table 3). Social assistance spending as a proportion of social security expenditures varied from around 2 % to 30 %.

(Table 3 about here)

The interface of means tested benefits with other benefits is more difficult to summarise; at least two aspects are important but they work in opposite ways. The first is the degree to which other benefits are linked to social assistance. That is, the extent to which social assistance acts as a passport that more or less automatically entitles recipients to other benefits, such as housing allowances, subsidised or free prescriptions, etc. Tied benefits augment the importance of social assistance and means tested benefits. The second aspect pertains to the availability of social insurance benefits and/or non-contributory ‘universal’ benefits that crowd out or reduce the utilization of social assistance. As an illustration, the universalism and prominence of other benefits in the Nordic social protection systems have prompted researchers to characterise the position of means tested benefits as residual social assistance (Eardley et al. 1996: 169). According to them, social assistance is relegated to the margins of social provision. We return to the issue of the relationship of means tested benefits and other social transfers in our analysis of poverty reduction.

Methods and Data

On two counts, our approach differs from methods that have figured prominently in earlier research. First, much of the recent European literature has assessed social assistance employing a model recipients approach (e.g Bradshaw et al.1996: chap 5 and 6, Eardley et al. 1996, SZW 1995). This approach focuses on the statutory provision of benefits and the entitlements of typical but hypothetical recipients with specific traits; it assumes that the model recipients claim and receive the benefits to which they are entitled. Although useful in identifying and comparing the basic features of social programmes, the approach is often not very informative about programme

outcomes. A major weakness is that it provides a picture of how social provision *could* or *should* work but *not how it actually does work*. An additional difficulty concerns the representative trade-off of the model recipients approach (Eardley et al. 1996: 8, 116). As the models become more elaborate and supposedly more realistic, problems of representativity mount because of the growing number of specific assumptions made about recipients. Instead of model recipients we use the Luxembourg Income Study (LIS), a cross-national data set with detailed information about household income sources, which allows us to examine real recipients and actual outcomes.

Second, we propose a new measure to capture the impact of means tested benefits on the economic situation of persons with low income. The most common method to assess the impact of means tested benefits has been to analyse their contribution to income. One procedure has been to examine the income structure across income groups from the poorest to the wealthiest (quintiles or deciles) to determine the contribution of these benefits to total income for each quintile or decile (e.g. Deleeck et al. 1992). Another tact has been to analyse the income packages of particular groups—families, solo mothers, etc (Rainwater, Rein and Schwartz 1986). The income package is a sum of income acquired from several different sources. While this concept provides a tool to break down income by its sources to determine the importance of each component, a shortcoming is that quite similar income packages can be associated with very different poverty rates.³ Rather than emphasising the contribution of means tested benefits to income, we are interested in whether these benefits make a difference by altering one's poverty status. We focus on the extent to which *the receipt of means tested benefits lifts a person over the poverty line*.

Poverty Incidence

We use the relative approach in measuring income poverty. This means that we define as poor those households that have an equivalent disposable income below a certain threshold representing the level of well-being of the population in a specific country. In most comparative studies the poverty threshold has been set at 50 % of median equivalent disposable income. Instead we use the EU's current definition of poverty—60 % of median disposable income adjusted for family size (Eurostat 2000). To adjust disposable income for family size we use the OECD equivalence scale $1.0 + d_{27} * .5 + (D4 - D_{27} - 1) * .7$. This scale assumes that a child needs 50 % of what an adult needs and that each additional adult in the household needs 70 % of what the first adult in the household needs. This equivalence scale is also used by the EU.

Poverty Reduction Effectiveness

To assess the effectiveness of social transfers in general we compare the population's economic situation at two points—before and after taxes and transfers—and use relative and absolute measures of poverty reduction.

The relative effectiveness of the poverty reduction is measured as follows: $\frac{\text{Pre transfers and taxes poverty rate} - \text{Post transfers and taxes poverty rate}}{\text{Pre transfers and taxes poverty rate}} * 100$ (Mitchell, 1991: 65). We use the poverty rates based on market income as a measure for the pre transfers and taxes situation. Poverty rates based on disposable income are used as a measure for after transfers and taxes.

In assessing the relative effectiveness of means tested benefits in alleviating poverty we employ a similar measure. Now we compare the poverty rates before and after means tested benefits (for the exact content of means tested benefits, see the Appendix). More precisely, we use poverty rates based on disposable income minus means tested benefits and compare them

with poverty rates based on the disposable income. The former is the poverty rate based on the income people have after taxes and transfers before receiving means tested benefits, whereas the latter includes means tested benefits and we can attribute the reduction in poverty to means tested benefits. Here the relative effectiveness of poverty reduction is measured in the following way: $\text{Pre means tested poverty rate} - \text{Post means tested poverty rate} / \text{Pre means tested benefits poverty rate} * 100$.

We also utilise absolute measures of poverty reduction. More generally, the absolute measure is the percentage point difference between the poverty rate before and after transfers and taxes. In determining the impact of the safety net, the absolute measure refers to the percentage point difference in the poverty rate before and after means tested benefits.

Poverty and Poverty Reduction: Social Transfers and the Safety Net

Two defining characteristics of poverty regimes are 1) the poverty rate and 2) the poverty reduction effectiveness of transfers. Accordingly, we first present the poverty rates for the entire population. We then examine poverty reduction achieved through all social transfers and means tested benefits in particular. Subsequently we look at vulnerable groups—the unemployed, single parents, large families, and the elderly—and the impact of social transfers and the safety net.

Poverty Rates

Figure 1 presents the poverty rates of the national population in the early and mid-1990s, using the EU's current definition of poverty—60 % of median disposable income adjusted for family size. At both points in time the poverty rates of the Czech Republic stands out as the lowest. In the early 1990s the Czech Republic was followed by Denmark, Finland, the Netherlands,

Belgium, Germany, Hungary and Sweden. The remaining countries had higher poverty rates that were above the mean—Poland, Spain, France, Italy and the UK. In the mid-1990s there was some reshuffling among countries in the groups but little movement between clusters. Primarily Hungary moved from being a country whose poverty rate was below the mean to one above it.

(Figure 1 about here)

The pattern of clustering based on poverty rates is quite different from that of welfare state regimes, especially in the early 1990s. Among the countries with low poverty rates we find representatives of the social democratic regime and the conservative corporatist regime as well as member and candidate countries. Likewise the nations with higher rates of poverty represent several regime types and both members of the EU and candidates for membership. However, countries representing the social democratic regime did not have high poverty rates and those representing the southern European regime did not have low poverty rates.

It should also be noted that overall the national poverty rates increased during the first half of the 1990s. This is evident in the poverty rates of the individual countries and the mean. The two exceptions were France and Sweden. The most dramatic increase occurred in the Czech Republic, although its poverty rate remained strikingly low. Notable increases also took place in the other two transition countries. Furthermore, in the mid-1990s the poverty head counts of three countries—Italy, Poland and the UK—exceeded 20 % compared to only the UK at the beginning of the decade.

Poverty Reduction

Table 4 presents relative and absolute measures of poverty reduction effectiveness for all social transfers. The relative measure of poverty reduction effectiveness indicates the proportion of pre-transfer poor lifted above the poverty line through social transfers. The absolute measure is the percentage point difference between the pre-transfer and post-transfer poverty rates. In comparing the absolute measure across countries, it ought to be noted that its magnitude is limited by the pre-transfer poverty rate.

(Table 4 about here)

The table shows pronounced differences in the performance of the social protection systems of the countries in reducing poverty both in relative and absolute terms. This was especially true in the early 1990s when the Czech system lifted 9 out of 10 of the pre-transfer poor above the poverty line in contrast to approximately 3 out of 10 in the UK. In the mid-1990s divergence was not so sharp, as the British system improved and the effectiveness of Czech transfers declined. The relative effectiveness scores of many countries also decreased during the decade.

More specifically, the Czech Republic not only distinguished itself by its low poverty rate but also its high relative effectiveness scores at both points in time. The other two transition countries—Poland and Hungary—displayed very high levels of market income poverty, high scores of relative effectiveness, and simultaneously the greatest absolute poverty reduction through social transfers. However, since the levels of market income poverty were so high, their poverty rates after transfers remained high. Sweden and Denmark were also included in the cluster with high relative poverty reduction scores, and the two countries had low poverty rates. (Unfortunately we do not have reliable Danish data for the mid-1990s.) Finally, Italy and the UK

exhibited the lowest poverty reduction in absolute terms and the highest poverty rates; and they also had the lowest relative poverty reduction scores.

What is the role of the social safety net in poverty reduction? Table 5 presents the rank order and clustering of countries on the basis of poverty reduction by means tested benefits for the entire population. The relative poverty reduction scores here refer to the percentage of the poor prior to means tested benefits lifted out of poverty. The absolute score is the difference in the poverty rate before and after means tested benefits. For both waves of data, several similarities in the pattern of clustering are observable,⁴ but because of the increasing importance of means tested benefits in the relative reduction of poverty there is a upward shift with countries moving into the next cluster.

(Table 5 about here)

Looking first at the cluster, characterised by minimal poverty reduction, the relative scores are around 5 % or lower, and the countries making up the cluster represent the conservative corporatist and southern European welfare state regimes. A shared feature of these countries is that liability for social assistance extends beyond the nuclear family. In the early 1990s the cluster also included Poland whose social insurance policy legacy bares a strong resemblance to the other countries. Typical of the corporatist regime, Polish insurance benefits have been fragmented and differentiated by economic sector. Nearly all of the countries had rudimentary social assistance programmes administered at the regional or local level, and all offered low benefits with the supposed exception of Italy (Table 2). To a large extent, this cluster is distinguished by the combination of high poverty rates after insurance based social transfers and ineffectual safety

nets. Belgium is an exception with regard to the entire population but, as we shall see, fit this description with respect to specific vulnerable groups—the unemployed and the elderly.

The intermediate cluster (scores over 5 and under 20 %) was made up of Germany, Hungary, the Czech Republic and the Netherlands in the early 1990s. At that time the social provision system of the countries, with the exception of Germany, had a strong universalist thrust. The countries had relatively low poverty levels after social insurance and other transfers, and their safety nets made a moderate contribution to reducing poverty levels. In the mid-1990s Poland and France joined this cluster.

The third cluster consists of the Scandinavian countries and the UK for both waves of data. Contrary to categorisations of their residual nature, the means tested benefits of the Nordic countries prove to be quite important in reducing poverty. These results also run counter to the picture of stringent administration and rigid asset tests for social assistance associated with Scandinavia (e.g. Lødemel 1997, Bradshaw and Terum 1997).⁵ Perhaps even more surprising is that their effectiveness matches or exceeds means tested benefits in the UK. As we shall shortly see, for several vulnerable groups, means tested benefits in the Nordic countries often have higher scores of relative poverty reduction effectiveness than British benefits. Upon further reflection, however, the results are actually not so surprising. Tables 1 and 2 showed that a relatively large share of the population claimed means tested benefits in the Nordic countries, although not as large as in the UK, but that Nordic benefits on the whole were much more generous than British benefits.

Vulnerable Groups and Poverty Reduction

Now we turn to groups typically over-represented among the poor—the vulnerable for whom the safety net is supposed to guarantee a minimum income. We are particularly interested in how the safety net and other social transfers affect their poverty status. For each of the vulnerable groups, we report their poverty rates and then assess the impact of transfers, and especially means tested benefits, on their poverty rates.

The Unemployed

The unemployed are the most vulnerable in the sense that they on average exhibit the highest poverty rates of the groups we discuss.⁶ Their poverty rates ranged from a low of 15 % (Denmark) to over 80 % (Italy) in the early 1990s and between 20 % (Germany) and over 70 % (Italy) in the mid-1990s (Table 6). As the decade progressed, the risk of poverty for the unemployed increased; in half the countries the unemployed had a poverty rate over 50 % in the mid-1990s. Of the candidate countries, Hungary had the lowest poverty rates, and they were lower than those of several EU members.

(Table 6 about here)

Figure 2 summarises the importance of the safety net and other transfers in alleviating poverty among the unemployed. The height of the bars indicates the pre-transfer poverty rate of the unemployed. The figure shows the absolute poverty reduction and the resulting poverty rate; it

also breaks down the contributions of the safety net and other social transfers to poverty reduction.

(Figure 2 about here)

There is wide variation in the contribution made by the safety net, from a meagre 1 % (Italy) to 23 % (Finland). In most of the countries other social transfers played a larger role in poverty reduction of the unemployed than the safety net. The exceptions were Finland, the Netherlands, the Czech Republic and the UK. Contrary to expectations, it is not the UK, representing the liberal welfare state regime, but Finland and the Netherlands where means tested benefits produced the largest reduction in the poverty rate. However, the UK is distinctly different because social assistance dwarfed insurance benefits. In the other three countries social transfers continued to play a significant role, and their significance approximated that of means tested benefits. In Denmark and Sweden the safety net complemented other social transfers. These transfers substantially reduced the poverty rate, and means tested benefits further lowered it. Means tested benefits lifted between 40 % and 50 % of the poor after insurance benefits above the poverty line in Denmark, Finland, the Netherlands, and Sweden. The relative poverty reduction scores of British, Czech, Polish and Hungarian means tested benefits indicate medium performance (10-25 %). Despite this, the UK had one of the highest poverty rates for the unemployed because other social transfers did not protect the jobless.

The safety net was of less importance in Germany, Spain, France, Belgium, and Italy. Except for Germany where other social transfers effectively lower the poverty rate, the social protection system failed to keep nearly half or more of the unemployed out of poverty and the safety net made little difference. Equally worrisome, the capacity of other social transfers to lift the

unemployed above the poverty line was only in the range of around three out of ten in several countries—Finland, Belgium, the Netherlands, France, Hungary and Poland—and even lower in the Czech Republic and Italy. Of these countries, only Finland and the Netherlands responded by strengthening their safety nets for the unemployed. On the other hand, social transfers in Germany, Sweden and Denmark revealed a stronger capacity to lift the unemployed over the poverty line.

Solo Parents and Large Families

Solo mothers and their children have been very vulnerable to poverty, but this does not necessarily have to be the case, as witnessed by their poverty rates (Table 7). In the early 1990s wide variation characterised solo mothers' poverty rates; basically the countries divided into two camps: low rates in the three Nordic countries, Belgium and the three candidate countries versus high rates in the remaining countries—with the highest rates in the UK, Germany, France, and the Netherlands. In the mid-1990s the poverty rates in the Nordic countries remained low; the major changes were that the economic well-being of solo mothers deteriorated in Italy, Belgium and the three transition countries, especially the Czech Republic. Nonetheless, the poverty rates in Belgium and the three candidate countries were in the middle range, although the Czech Republic was edging upwards toward the group with the highest poverty rates.

(Table 7 about here)

The situation of large families with three or more children has been eclipsed by the attention given to solo mothers in recent years. These families have poverty rates that often rival or in some instances exceed those of single parents. In the mid-1990s large families had a higher

poverty rate than solo mothers in Finland, Belgium, Italy, Hungary, and Poland—and Spain in the early 1990s (Table 8).

(Table 8 about here)

The importance of the safety net and other social transfers in reducing solo mothers' poverty rates is presented in Figure 3, using the same measures as for the unemployed in Figure 2. Overall, compared to the unemployed, solo mothers' pre transfer poverty rates were lower since many had earnings. The Netherlands, however, was an exception; and in the UK solo mothers' pre-transfer poverty rate was nearly as high as that of the unemployed. As can be observed in Figure 3, social transfers and the safety net kept many solo mothers and their children out of poverty. Indeed, there are several parallels in the poverty reduction of solo mothers and the unemployed.

(Figure 3 about here)

Again variation in poverty reduction by the safety net is substantial—and even slightly greater than for the unemployed. Now poverty reduction ranged from a mere fraction (Italy and Hungary) to 28 % (Netherlands). Besides the Netherlands, the countries whose safety nets markedly reduced the poverty rates of solo mothers were the UK, Denmark, the Czech Republic, Poland, Sweden and Finland. The safety nets of these countries also had the highest relative poverty reduction scores. The Danish safety net lifted nearly 6 out of 10 pre-means test poor mothers above the poverty line; the Swedish, Finnish and Czech safety nets aided roughly 4 out of 10; and the British and Polish safety nets around 3 out of 10.

The effects of the safety net in reducing the poverty rate were either limited or negligible in Belgium, France, Germany, Hungary and Italy. However, the safety nets in France, Germany, and Belgium did pull between 1 and 2 solo mothers out of ten over the poverty line. The impact of other social transfers on the poverty rate was considerable—a reduction between 20 and 50 percentage points—in Belgium, Poland, Hungary, Sweden, Finland, and France. Thus in both Finland and Sweden other social transfers and the safety net combined to keep solo mothers and their children out of poverty.

Among the differences, evident through a comparison of Figures 2 and 3, is a gender bias in the protection system that is particularly sharp in Germany but also discernible in the Netherlands. The unemployed fared much better than solo mothers. Interestingly the pattern is the reverse in Belgium, Poland, Spain, France, Italy, the UK and the Czech Republic.

Turning to large families, we find that the safety net is important in Denmark, Finland, Sweden, the UK, the Czech Republic, Poland and Hungary, with the largest reduction in the poverty rate occurring in the Czech Republic, followed by Sweden and the UK. The relative effectiveness scores of means tested benefits were much higher in Sweden (32.9) and the Czech Republic (25.3) than in the other countries. (It is noteworthy that the safety net also aided families with less than three children in Finland, Sweden, the Czech Republic and the UK.) As distinct from the other countries, British means tested benefits again accounted for nearly all the absolute poverty reduction. Other social transfers had a major impact on the poverty rate of large families, lowering it by at least 20 percentage points in Hungary, France, Belgium, and Sweden. Neither means tested benefits or other transfers had much effect on the poverty rate of large families in Italy.

The Elderly

Traditionally the elderly have been included as a vulnerable group because their economic well-being largely depends on the social protection system. Pension reforms and improvements in retirement income put in question the vulnerable status of the elderly. Nevertheless, our first wave of data from the early 1990s indicate that persons 65 years and older had a higher poverty rate than the national average in most of our countries (Table 9), while the second wave of data presents a much rosier picture. In the mid-1990s the poverty rate of the elderly was lower than the national average in nearly all the countries, and it had fallen in all the countries except the Netherlands, Belgium and the Czech Republic. On the other hand, data from the recent Draft Joint Report on Social Inclusion show higher poverty rates for the elderly compared to the national average in the late 1990s in a majority of the EU member countries (Austria, Belgium, Denmark, Finland, Greece, Ireland, Portugal and the UK). The report also notes that households comprised of single elderly persons run a higher risk of experiencing poverty than the national average, and that in several countries elderly women have higher poverty rates than elderly men (COM/2001/565: 169, 172).

(Table 9 about here)

Much more starkly than Figures 2 and 3, Figure 4 shows the predominance of social transfers in reducing poverty. In a majority of the countries, the safety net contributed less than one per cent of absolute poverty reduction. Only in two countries—Denmark and the UK—does the importance of means tested benefits stand out. The UK further stands out because of the large percentage of the elderly who were poor after occupational and state pension benefits. Typically

during the mid-1990s these benefits reduced the poverty rate to between 5 – 15 % of the elderly in the other countries, whereas the figure was 35 % in Britain.

(Figure 4 about here)

The absolute measure of poverty reduction, however, conceals significant differences in the performance of the safety net in aiding the elderly. Looking at the relative poverty reduction effectiveness scores, we find that the Danish score is slightly higher than the British one. In both countries around 50 % of the pre means tested poor were lifted over the poverty line, in Finland and Sweden around 30 %, in Hungary, Poland and Spain over 15 %, and in the Czech Republic over 10 %. The scores were around 5 % or lower in the other countries.

To sum up, our analysis of the poverty reduction of vulnerable groups identifies serious holes in the safety net of several countries. In Italy, France, Spain the safety net offered little assistance to vulnerable groups. The analysis also points to shortcomings that are not immediately apparent when looking at the population as a whole. Both Belgium and Germany have poverty rates below the average and non-means tested transfers account for the overwhelming portion of poverty reduction. However, when the regular social protection system failed as in the case of the unemployed and the elderly in Belgium and solo mothers in Germany, the safety net was not much help to these groups. Similarly, an examination of the relative effectiveness of means tested benefits reveals weaknesses in the British safety net, especially given the prominence of this type of benefit.

Furthermore, the use of the poverty regime as a heuristic device provides several valuable insights. First, in the European literature on poverty, there has been a tendency to distinguish between social insurance and social assistance in terms of their primary aims. The main goal of

social insurance has been the protection of the standard of living of persons exposed to social risks, such as unemployment, sickness and old age, whereas the major objective of social assistance is poverty alleviation. Emphasis on this distinction is misguided because it obscures the significant role played by social transfers other than means tested benefits in poverty reduction, as evident through a comparison of Tables 4 and 5 along with the results reported in Figures 2, 3 and 4 (cf. Deleeck et al. 1992, chapter 5). In addition, the British case demonstrates the inadequacies of a poverty reduction strategy based primarily on means tested benefits.

Second, as distinct from previous studies, our analysis has focused on the poverty reduction effectiveness of means tested benefits, and we have used this measure as one dimension in determining how countries cluster together in poverty regimes. This procedure reveals an important difference between countries representing the social democratic welfare regime and the conservative corporatist regime. Contrary to earlier assumptions and theorizing that means tested benefits are of minor importance in the social democratic regime our results indicate that this type of benefit pulled a larger share of the pre-means test poor out of poverty than in the other countries—even the UK. This difference would be difficult to detect using Esping-Andersen's regime typology because he has made means tested benefits a defining property of one of his ideal types rather than a variation across welfare states. Elsewhere, however, he has argued that role of the means test is limited in the conservative welfare state model and minor in the social democratic welfare state model, suggesting the opposite of our findings (Esping-Andersen and Micklewright 1991: 51).

Third, the application of the poverty regime concept produces a cluster of strange bedfellows. Italy and the UK had the highest poverty rates (Figure 1) and the lowest relative poverty reduction scores (Table 4). In the mid-1990s the Italian and British social protection systems only lifted four out of ten of the pre-transfer poor above the EU poverty line. However, as we have

seen, this outcome resulted from fundamentally different policy constructions. In fact, their social protection systems are virtual opposites. Italy has yet to enact a national minimum income guarantee, while in the UK national social assistance programmes have assumed increasing importance as social insurance has been successively marginalized.

Fourth, this difference points to two axes to classify or cluster the countries: 1) the effectiveness of means tested benefits and 2) the effectiveness of other social transfers. This gives us four basic types of poverty regimes: low effectiveness of both the safety net and other transfers—Italy; low effectiveness of regular social transfers but high effectiveness of means tested benefits—UK, high effectiveness of other social transfers but low of means tested benefits—Belgium; and high effectiveness of both—Finland.

Toward a European Safety Net?

If the first step toward a European welfare state entails the establishment of effective and similar safety nets, our analysis sheds light on the feasibility of this project. It reveals a surprising amount of diversity in the basic safety nets across the European Union and their capacity to alleviate poverty. The inclusion of all the member and candidate countries would further magnify variations. This diversity suggests that the harmonization of safety nets of the member countries and future members may be as difficult an endeavour as attempts to harmonise social insurance schemes. The difficulties are compounded since the safety net is embedded in the larger framework of social protection in a country.

However, a long term trend during the past two decades is toward convergence in that the introduction of means tested benefits has either complemented or replaced employment related transfers. First, several Bismarckian countries with rudimentary safety nets have embarked on

reform. As a response to the growing number of persons without social insurance benefits, France pioneered the RMI (*revenue minimum d'insertion*) in 1988 (Palier 2000), which has been a source of imitation. In 1991 Spain put in place new schemes of means tested social assistance—family allowances, old age and disability pension improvements, and a benefit similar to the French RMI but administered at the regional level (Laparra and Aguilar 1996: 97-106, Cousins 1999: 129, 155-6). Italy also moved toward similar reforms in the late 1990s, introducing a version of RMI on an experimental basis and means tested child allowances for large families (Ferrera 2001: 183-4). Similarly, the post-communist countries had fairly rudimentary and often unofficial social assistance programmes prior to 1989. In the early transition period, the three countries adopted new legislation, and spending on social assistance in absolute and relative terms climbed during the decade. Second, the Czech Republic and Hungary replaced employment related and universal child allowances respectively with income tested ones, while Poland made child allowances subject to means testing. Our analysis of the effectiveness of means tested benefits in reducing poverty in the early and mid-1990s also indicates their growing prominence (Table 5). More recent data no doubt would show a further accentuation of this trend.

Despite a general trend toward greater targeting and more means tested benefits across countries, diversity in this area is simultaneously increasing. In coping with the widespread hardships resulting from the transformation of their economies, the transition countries have come up with different safety net solutions, which often lack a counterpart in member countries. Czech decision makers developed a system of income tested state social subsidies to guarantee minimum living standards that has focused on families with children. The Hungarians and Poles pursued an ad hoc strategy, relying on massive temporary emergency payments. The member countries also differ greatly in the extent that their assistance programmes are general or categorical, and on this score divergence appears to be increasing. Recent reforms in many

countries have tailored programmes to specific categories of need, while the Nordic countries continue to rely on general programmes and the Netherlands consolidated special assistance benefits into a single scheme in 1996.

Moreover, deep-seated differences of opinion about means tested benefits and the safety nets exist. Perhaps the most fundamental political divisions revolve around the design of the resource test and the level of benefits. Should the test be an affluence or a poverty test? What should be the extent of family support obligations in relation to social assistance? Equally, if not more, controversial are benefit levels. As we have seen, few countries have a safety net that provides benefits capable of lifting recipients over the EU poverty line. Neo-liberals and others equate generous benefits with work disincentives, and on these grounds they oppose raising minimum benefit levels. There is growing evidence, however, that a generous safety net does not necessarily lead to low employment rates. In their comparative study of solo mothers Kilkey and Bradshaw (1999) found that Finnish assistance was among the closest to average earnings, but mothers had a very high employment rate.

With respect to the pending enlargement of the European Union our analysis points in two directions. On the one hand, as the decade progressed, the candidate countries experienced rising poverty levels and poorer policy performance. On the other hand, the LIS data indicate that the three prospective members have poverty rates similar to those of the member countries. The effectiveness of their policies in reducing poverty is also in line with the EU countries—or even better. Furthermore, the three countries did not cluster into a distinctive poverty regime that set them apart from the EU. Instead the Eastern European countries tended to cluster together with other member countries.

¹ For an overview and evaluation of the European Poverty Programme, 1975-1980, see Dennett et al., 1982.

² We adopt a modified version of Esping-Andersen's regime typology, following critics who have argued that the southern European countries represent a fourth regime type (Leibfried 1992, Ferrera 1996) and van Kersbergen's (1995) scheme of including the Netherlands with the continental countries rather than with the Nordic countries.

³ For example, Barbara Hobson (1994) found that solo mothers in the United States and Germany had nearly identical income packages but their poverty rates diverged considerably in the mid-1980s.

⁴ Comparing the early and mid-1990s, three shifts occurred. France and Poland moved from the cluster of countries where means tested benefits are least effective to the intermediate cluster in the mid-1990s. In the French case the RMI an important new means tested benefit had only been introduced the year prior to the first survey. In early 1995 Poland replaced employment based family allowances with means tested benefits; without this reform Poland would be located in the cluster of minimal poverty reduction. The third change is that the Czech Republic moved to the third cluster, and this probably reflects the reforms adopted in 1995 when the new system of means tested state social subsidies supplanted universalist policies (cf. Förster and Tóth 2000).

⁵ There has also been much speculation about the negative effects of local administration, primarily the likelihood of differential levels of provision across municipalities. Interestingly,

there is not much regional variation in the poverty rates in the Nordic countries. Regional differences were largest in Norway and smallest in Sweden (Gustafsson and Pedersen 2000: 36, 93, 154, 189).

⁶ In a few instances solo mothers had higher poverty rates (Denmark 1992, the Netherlands 1992 and 1994, and Germany 1994), as did large families (Denmark 1992, Hungary 1994 and Germany 1994). With the exception of the Netherlands, the unemployed in these countries had relatively low poverty rates.

Table 1. Utilization of Assistance and Duration, 1992

	Recipients of Social Assistance % Population	Average Duration	Housing Assistance
United Kingdom	15.9		7.6% of population
Finland	9.2	4.6 months*	14% of families*
Denmark	8.3	6.5 months*	14% of families*
Poland	7.9		
Hungary	7.1		1.9% of population
Sweden	6.8	4.6 months*	25% of families*
Germany	5.2	23 months	2.8% of population
Netherlands	3.7		6.3% of population
France	2.3	--	8.8% of population
Italy	4.8	--	No scheme
Belgium	3.6	14 months	No scheme
Spain	2.7	--	No scheme
EC 12 Mean	5.4		

Comments: * 1993 and % of families with children.

Sources: Eardley et al. 1996: 39, 68-70, 147; NOSOSKO 1995: 51, 209, 1992 Statistical Yearbook of Hungary: 20, 248, Statistical Handbook of Hungary 1995: 87, Statistical Yearbook of Poland 1995: 50, 273.

Table 2. Rank Order by Replacement Ratios: Social Assistance as % of Net Disposable Income at Average Earnings (before housing costs), 1992

	Single	Couple	Couple + 2 children	Solo parent + 1 child
Sweden	58	88	102	60
Netherlands	58	77	81	67
Denmark	54	71	78	67
Czech Republic*	33	--	77	66
Italy	42	56	64	56
Finland	23	40	65	67
Belgium	39	47	53	56
France	26	34	47	36
United Kingdom	21	31	42	38
Spain	26	28	36	35
Germany	17	28	44	33
EC 12 Mean	34	43	51	46

Comments: * Calculations are for 1997 and solo parent with two children.

Sources: Eardley et al. 1996: 160, OECD 1998: 101

Table 3. Spending on Means Tested Benefits, Early 1990s

	% of GDP	% of Social Security Spending
United Kingdom (1991)	3.0	30.9
Netherlands (1991)	2.2	11.2
Hungary (1994)	2.1	10.5
Germany (1990)	1.8	11.8
France (1990)	1.8	9.7
Italy (1991)	1.5	9.6
Sweden (1992)	1.5	6.7
Denmark (1992)	1.4	7.0
Spain (1990)	1.1	8.1
Poland (1992)	1.1	5.6
Belgium (1992)	0.7	3.0
Czech Republic (1994)	0.6	4.9
Finland (1991)	0.4	2.1
EC 12 Mean* (1990)	1.5	12.4

Comments: * Calculation does not include Luxembourg due to lack of data. Social security spending does not include health care expenditures.

Sources: Eardley et al. 1996: 34, 37-8; OECD 1998: 22, NOSOSKO 1993: 64, 169, 213-15, Rutkowski 1998: 8, 85, ILO 2000.

Table 4. Rank Order of Countries Based on Poverty Reduction Effectiveness of All Social Transfers for Entire Population

Early 1990s		
	Relative Poverty Reduction	Absolute Poverty Reduction
Czech Republic (1992)	90.7	28.2
Hungary (1991)	75.1	35.6
Sweden (1992)	70.7	28.8
Poland (1992)	68.5	36.3
Denmark (1992)	68.1	19.5
Belgium (1992)	65.4	21.2
France (1989)	59.8	27.1
Netherlands (1991)	56.2	14.2
Finland (1991)	55.4	11.7
Spain (1990)	54.4	20.1
Germany (1989)	52.9	13.3
Italy (1991)	48.7	18.6
UK (1991)	34.4	10.8
Mid-1990s		
Czech Republic (1996)	76.8	21.5
Sweden (1995)	75.1	29.2
Hungary (1994)	70.3	38.2
France (1994)	63.2	29.4
Poland (1995)	61.8	36.5
Finland (1995)	60.8	15.9
Belgium (1997)	60.5	20.5
Germany (1994)	53.6	15.7
Netherlands (1994)	51.2	14.0
Italy (1995)	46.1	19.9
UK (1995)	41.3	14.5

Source: LIS; own calculations

Table 5. Rank Order of Countries Based on Poverty Reduction Effectiveness of Means Tested Benefits for Entire Population

Early 1990s		
	Relative Poverty Reduction	Absolute Poverty Reduction
Sweden (1992)	38.0	7.2
Denmark (1992)	37.5	5.5
Finland (1991)	28.7	3.8
UK (1991)	20.0	5.2
Netherlands (1991)	17.1	2.3
Czech Republic (1992)	14.0	0.5
Hungary (1991)	8.2	1.1
Germany (1989)	7.5	1.0
Spain (1990)	4.6	0.8
France (1989)	3.2	0.6
Belgium (1992)	1.0	0.2
Italy (1991)*	0.0	0.0
Poland (1992)*	0.0	0.0
Mid-1990s		
Czech Republic (1996)	39.4	4.2
Sweden (1995)	36.2	5.5
Finland (1995)	33.1	5.1
UK (1995)	29.1	8.5
Germany (1994)	16.7	2.7
Netherlands (1994)	16.2	2.6
Poland (1995)	15.2	4.0
Hungary (1994)	9.7	1.8
France (1994)	9.1	1.7
Belgium (1997)	5.4	0.8
Italy (1995)	0.7	0.2

* There is no means tested benefits variable in datasets for Italy 1991 and Poland 1992.

Source: LIS; own calculations

Table 6. Unemployed under the EU Poverty Line, Percentages

	Early 1990s	Mid-1990s
Denmark	15.0	--
Finland	24.9	25.9
Hungary	26.8	36.5
Sweden	28.7	21.3
Poland	30.2	51.5
Czech Republic	37.8	63.1
Netherlands	40.3	28.4
France	45.0	51.5
Germany	47.1	19.8
Belgium	48.1	55.4
Spain	66.3	--
UK	70.8	64.7
Italy	82.6	72.4

LIS; own calculations

Table 7. Solo Mothers under the EU Poverty Line, Percentages

	Early 1990s	Mid-1990s
Hungary	12.1	23.6
Finland	12.2	12.7
Czech Republic	13.0	34.9
Sweden	14.7	14.1
Denmark	16.2	--
Poland	16.5	28.6
Belgium	16.9	22.4
Italy	28.1	49.0
Spain	33.0	--
France	39.8	38.1
Netherlands	43.3	38.8
Germany	44.9	52.6
UK	53.8	52.2

LIS; own calculations

Table 8. Couples with 3+ Children under the EU Poverty Line, Percentages

	Early 1990s	Mid-1990s
Czech Republic	6.8	20.9
Sweden	16.8	11.9
Finland	18.3	22.6
Denmark	18.8	--
Netherlands	22.3	17.9
Belgium	23.4	24.9
Germany	25.4	34.4
Hungary	27.5	34.4
Poland	31.8	47.6
France	32.0	30.2
Spain	35.5	--
UK	39.0	41.9
Italy	47.0	51.8

LIS; own calculations

Table 9. The Elderly under the EU Poverty Line, Percentages

	Early 1990s	Mid-1990s
Czech Republic	1.4	4.5
Netherlands	5.8	11.2
Hungary	10.1	9.6
Denmark	12.2*	--
Germany	12.5*	8.6
Sweden	13.3*	4.6
Belgium	13.7*	15.4*
Spain	13.7	--
Finland	15.9*	6.2
Italy	16.9	14.8
Poland	17.3*	13.4
France	18.3*	14.7
UK	26.6*	18.1

Comment: * Higher than national poverty rate

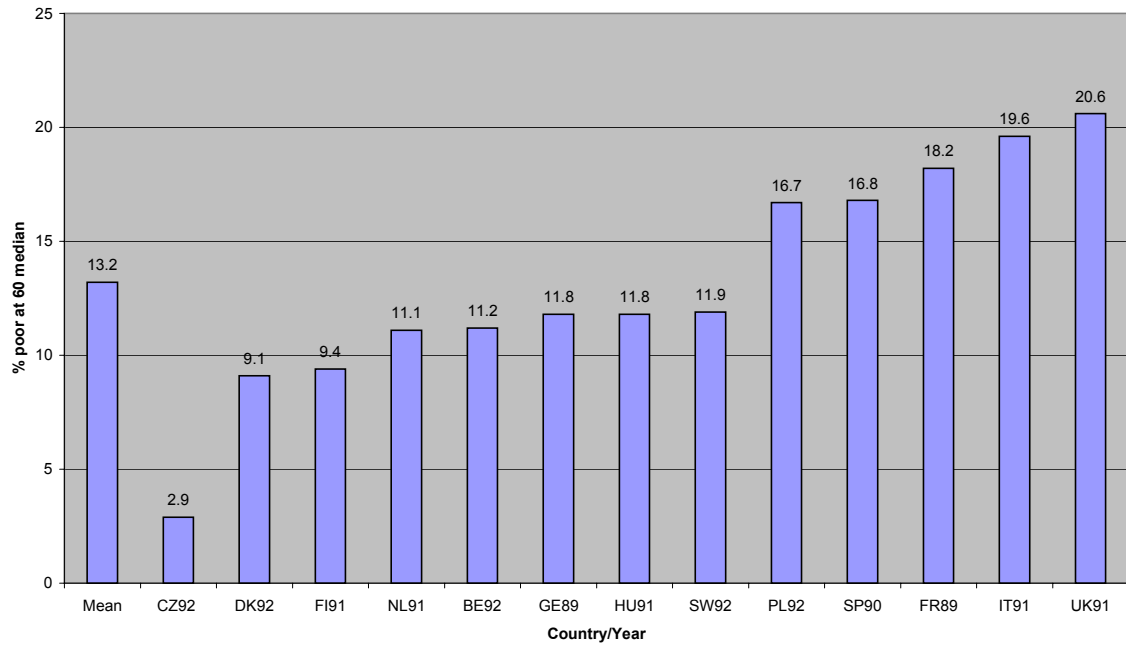
Source: LIS, own calculations

Table A. 1 LIS surveys used for the analysis

Belgium 1992	Socio Economic Panel of Belgian Households
Belgium 1997	Socio Economic Panel of Belgian Households
Czech Republic 1992	Microcensus
Czech Republic 1996	Microcensus
Denmark 1992	Income Tax Survey
Finland 1991	Income Distribution Survey
Finland 1995	Income Distribution Survey
France 1989	Family Budget Survey
France 1994	Family Budget Survey
Germany 1989	German Socio-economic Panel Study
Germany 1994	German Socio-economic Panel Study
Hungary 1991	Hungarian Household Panel
Hungary 1994	Hungarian Household Panel
Italy 1991	The Bank of Italy Survey
Italy 1995	The Bank of Italy Survey
Netherlands 1991	Socio Economic Panel
Netherlands 1994	Socio Economic Panel
Poland 1992	Household Budget Survey
Poland 1995	Household Budget Survey
Spain 1990	Expenditure and Income Survey
Sweden 1992	Income Distribution Survey
Sweden 1995	Income Distribution Survey
United Kingdom 1991	Family Expenditure Survey
United Kingdom 1995	Family Expenditure Survey

Figure 1

National Poverty Rates Early 90s



National Poverty Rates mid 90s

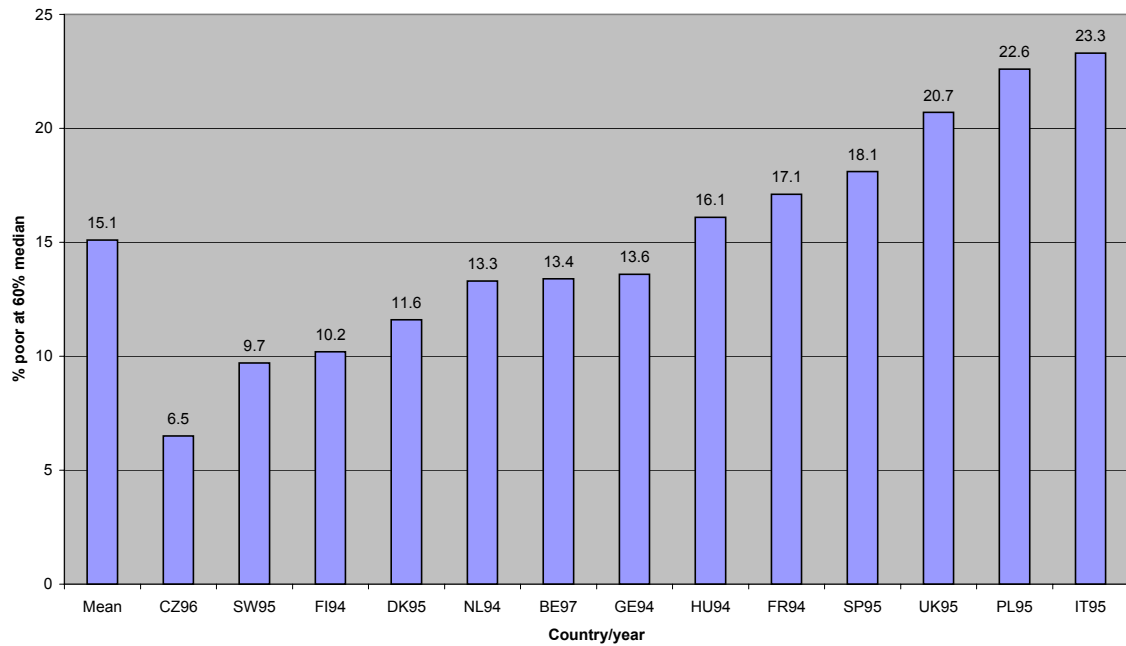


Figure 2
Poverty Reduction for Unemployed
Safety Net and Other Transfers

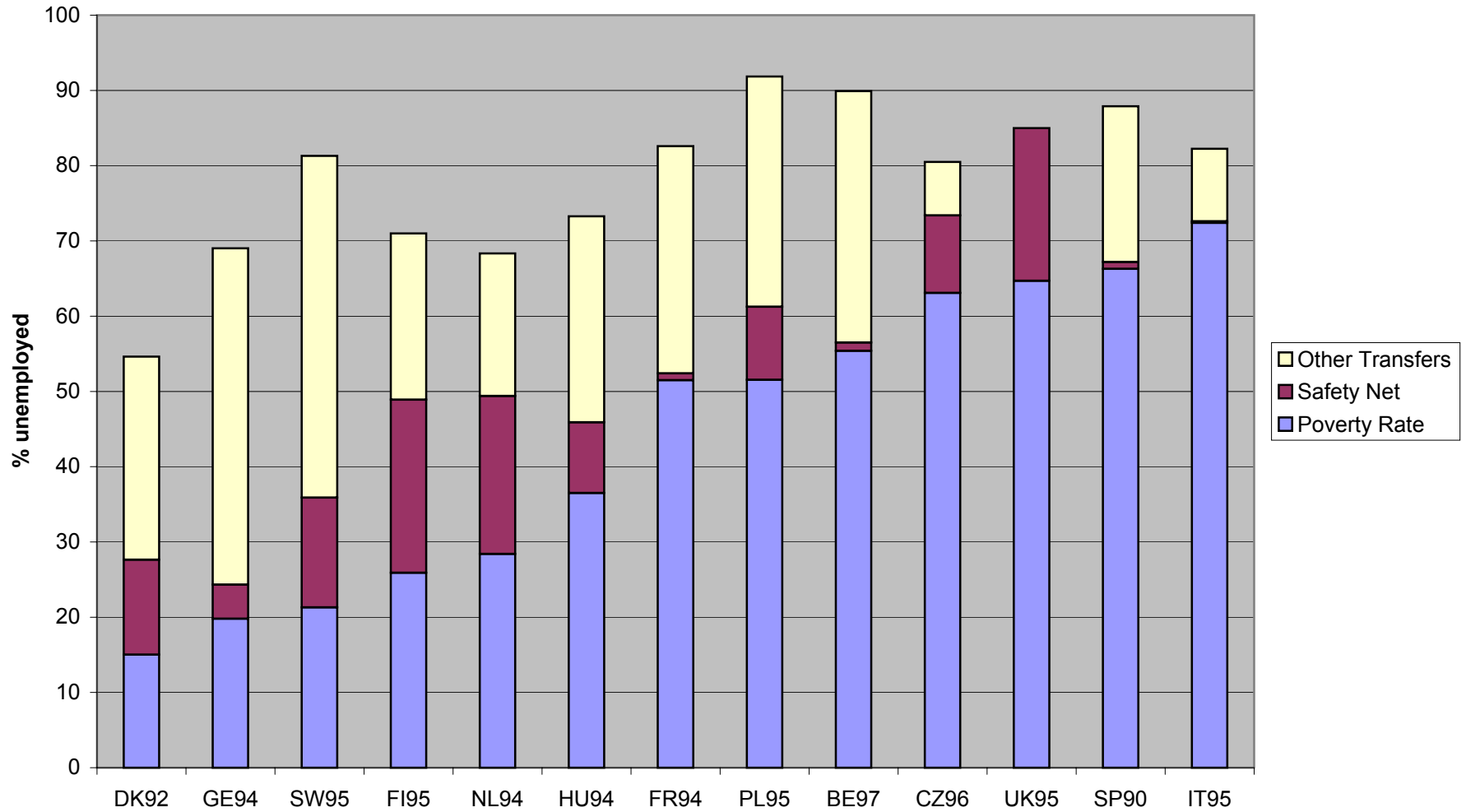


Figure 3
Poverty Reduction for Solo Mothers
Safety Net and Other Transfers

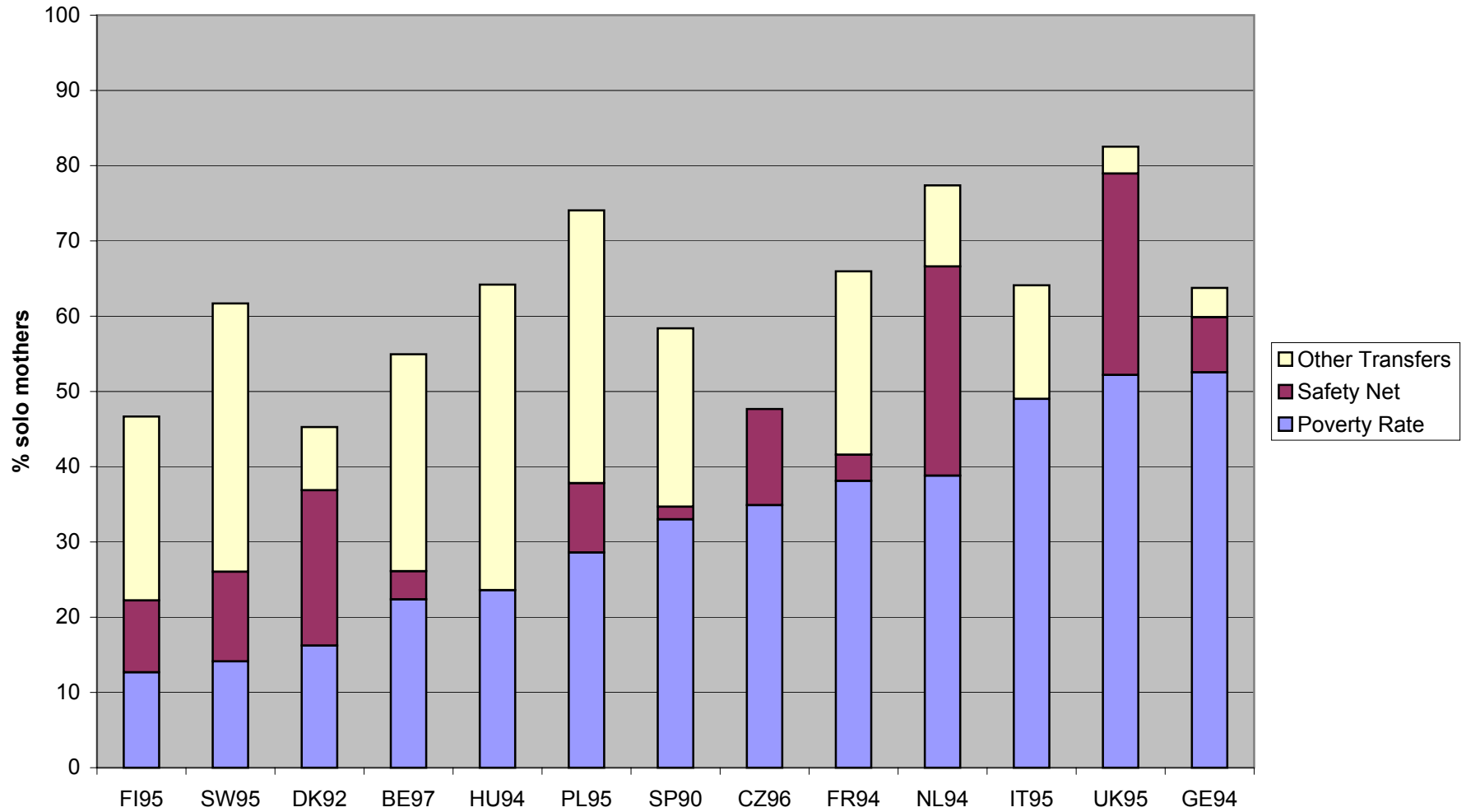
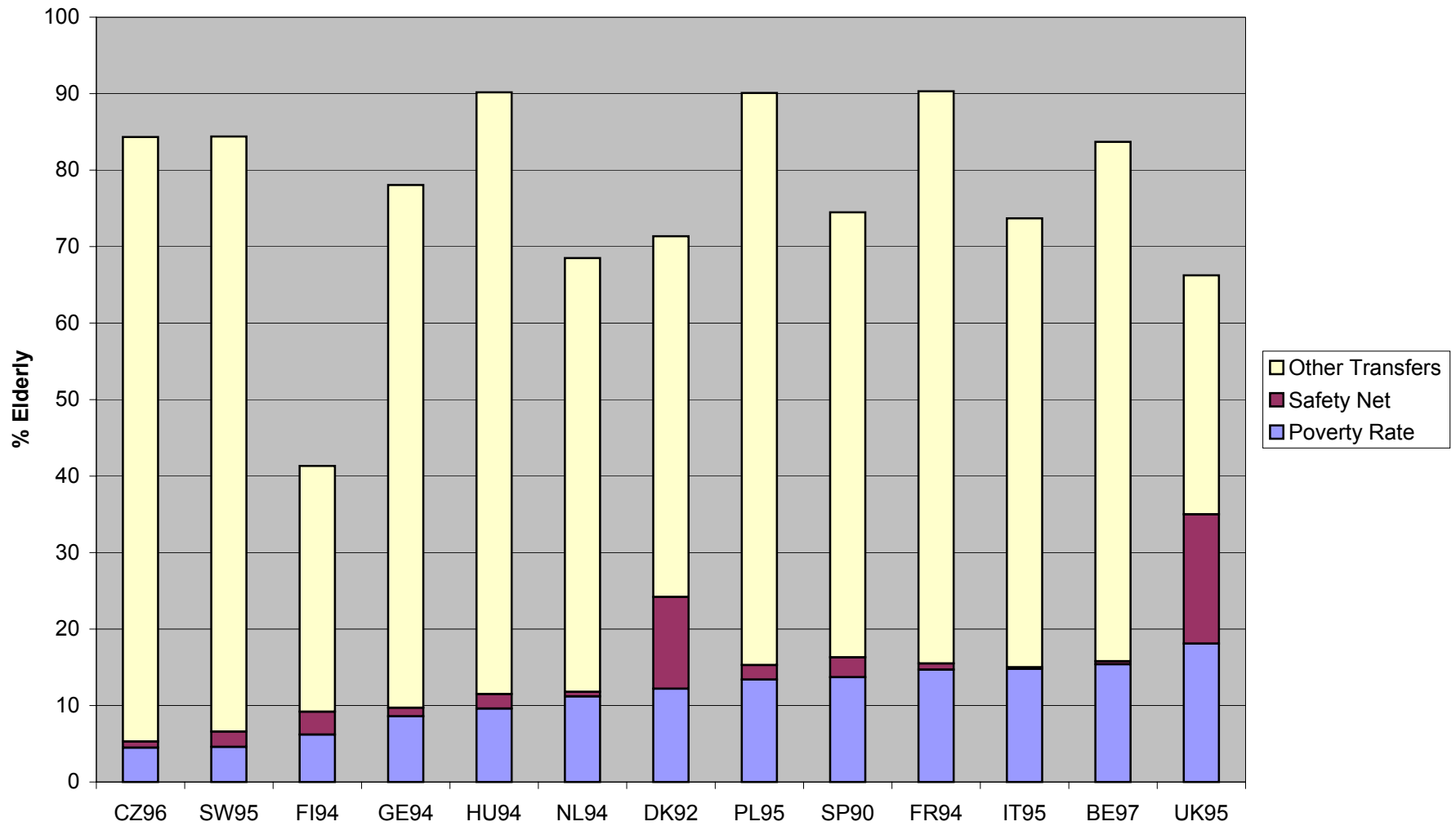


Figure 4
Poverty Reduction for Elderly
Safety Net and Other Transfers



References

- Abrahamson, Peter. 1997. 'Combating Poverty and Social Exclusion', in Wolfgang Beck, Laurent van der Maesen, Alan Walker (eds.), *The Social Quality of Europe*. The Hague: Kluwer Law International.
- Atkinson, A. B. 1998. *Poverty in Europe*. Oxford: Blackwell.
- Behrendt, Christina. 2000. 'Do Means-Tested Benefits Alleviate Poverty? Evidence on Germany, Sweden, and the United Kingdom from the Luxembourg Income Study', *Journal of European Social Policy* 10 (1): 23-41.
- Berghman, Jos. 1991. '1992 and Social Security', in Graham Room (ed.), *Towards a European Welfare State?* Bristol: SAUS Publications.
- Bradshaw, Jonathan; Kennedy, Steven; Majella Kilkey; Hutton, Sandra; Corden, Anne; Eardley, Tony; Holmes, Hilary and Neale, Joanne. 1996. *Policy and the Employment of Lone Parents in 20 Countries*. University of York: Social Policy Research Unit.
- Bradshaw, J and Terum, L. I. 1997. 'How Nordic is the Nordic Model? Social Assistance in a Comparative Perspective', *Scandinavian Journal of Social Welfare* 6, 247-256.
- Castles, Francis G. 1997. 'The Institutional Design of the Australian Welfare State', *International Social Security Review* 50 (2), 25-41.
- COM/2001/565. Draft Joint Report on Social Inclusion. Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions.
http://europa.eu.int/comm/employment_social/soc-prot/soc-incl/index_en.htm
(November 2001).
- Cousins, Christine. 1999. *Society, Work and Welfare in Europe*. Basingstoke: Macmillan.
- Cram, Laura. 1997. *Policy-making in the EU: Conceptual Lenses and the Integration Process*. London: Routledge.
- Deacon, Bob. 1992. 'The Future of Social Policy in Eastern Europe', in Bob Deacon et al., *The New Eastern Europe: Social Policy Past, Present and Future*. London: Sage Publications.
- Deleeck, Herman; Van den Bosch, Karel; De Lathouwer, Lieve (eds.) 1992. *Poverty and the Adequacy of Social Security in the EC*. Aldershot: Avebury.

Dennett, Jane; James, Edward; Room, Graham and Watson, Philippa. 1982. *Europe against Poverty. The European Poverty Programme 1975-80*. London: Bedford Square Press/NCVO.

Eardley, Tony; Bradshaw, Jonathan; Ditch, John; Gough, Ian; and Whiteford, Peter. 1996. *Social Assistance in OECD Countries. Volume 1: Synthesis Report*. London: HMSO.

Esping-Andersen, Gøsta. 1990. *Three Worlds of Welfare Capitalism*. Cambridge: Polity Press.

Esping-Andersen, Gøsta and Micklewright, John. 1991. 'Welfare State Models in OECD Countries', in Giovanni Andrea Cornia and Sándor Sipos (eds.), *Children and the Transition to the Market Economy: Safety Nets and Social Policies in Central and Eastern Europe*. Aldershot: Avebury.

Eurostat. 1994. *Poverty Statistics in the Late 1980s*. Luxembourg: Office for Official Publications for the European Communities.

Eurostat. 2000. *European Social Statistics, Income Poverty and Social Exclusion*. Luxembourg: Office for Official Publications for the European Communities.

Ferrera, Maurizio. 1996. 'The Southern Model of Welfare in Social Europe', *Journal of European Social Policy* 6 (1) 17-37.

Ferrera, Maurizio. 2001. 'Targeting Welfare in a "Soft" State: Italy's Winding Road to Selectivity', in Neil Gilbert (ed.), *Targeting Social Benefits*. New Brunswick, NJ: Transaction Publishers.

Förster, Michael F. and Tóth, Istávan György. 2000. 'Trends in Child Poverty and Social Transfers in the Czech Republic, Hungary and Poland: Experiences from the Years after Transition', Luxembourg Income Study Working Paper No. 226.

Gough, Ian. 1996. 'Social Assistance in Southern Europe', *South European Society and Politics* 1 (1), 1-23.

Gustafsson, Björn and Pedersen, Peder J. (eds.) 2000. *Poverty and Low Income in the Nordic Countries*. Aldershot: Ashgate.

Hobson, Barbara. 1994. 'Solo Mothers, Social Policy Regimes, and the Logics of Gender', in Diane Sainsbury (ed.), *Gendering Welfare States*. London: Sage Publications.

ILO 2000. *The Cost of Social Security 1990-96*. Geneva: ILO, www.ilo.org/public/english/protection/socsec/index.htm. (updated February 2000)

van Kersbergen, Kees. 1995. *Social Capitalism: A Study of Christian Democracy and the Welfare State*. London: Routledge.

- Kilkey, Majella and Bradshaw, Jonathan. 1999. 'Lone Mothers, Economic Well-Being, and Policies', in Diane Sainsbury (ed.), *Gender and Welfare State Regimes*. Oxford: Oxford University Press.
- Laparra, Miguel and Aguilar, Manuel. 1996. 'Social Exclusion and Minimum Income Programmes in Spain', *South European Society and Politics* 1 (3), 87-114.
- Leibfried, Stephan. 1992. 'Towards a European Welfare State? On Integrating Poverty Regimes into the European Community', in Zsuzsa Ferge and Jon Eivind Kolberg (eds.), *Social Policy in a Changing Europe*. Frankfurt: Campus Verlag.
- Leibfried, Stephan and Pierson, Paul (eds.) 1995. *European Social Policy: Between Fragmentation and Integration*. Washington, D.C.: The Brookings Institution.
- Lødemel, Ivar. 1997. *The Welfare Paradox. Income Maintenance and Personal Social Services in Norway and Britain, 1946-1966*. Oslo: Scandinavian University Press.
- Marklund, Staffan and Svallfors, Stefan. 1987. *Dual Welfare: Segmentation and Work Enforcement in the Swedish Welfare System*. Research Reports from Department of Sociology, University of Umeå.
- Mitchell, Deborah. 1991. *Income Transfers in Ten Welfare States*. Aldershot: Avebury.
- Munday, Brian. 1996. 'Social Care in the Member States of the European Union: Contests and Overview', in Brian Munday and Peter Ely (eds.), *Social Care in Europe*. Houndmills: Macmillan.
- NOSOSKO 1993. *Social Security in the Nordic Countries: Scope, Expenditure and Financing 1990*. Copenhagen: Nordic Social-Statistical Committee.
- NOSOSKO 1995. *Social tryghed i de nordiske lande: Omfang, udgifter og finansiering 1993*. Copenhagen: Nordic Social-Statistical Committee.
- OECD 1998a. *The Battle against Exclusion. Social Assistance in Australia, Finland, Sweden and the United Kingdom*. Paris: OECD.
- OECD 1998b. *The Battle against Exclusion. Social Assistance in Belgium, the Czech Republic, the Netherlands, and Norway*. Paris: OECD.
- van Oorschot, Wim. 2001. 'Troublesome Targeting: On Multilevel Causes of Nontake-Up' in Asher Ben-Arieh and John Gal (eds.), *Into the Promised Land: Issues Facing the Welfare State*. Westport, CN: Praeger.
- Palier, Bruno. 2000. "'Defrosting" the French Welfare State', in Maurizio Ferrera and Martin Rhodes (eds.), *Recasting European Welfare States*. London: Frank Cass.
- Peters, B. Guy. 1992. 'Bureaucratic Politics and the Institutions of the European Community', in Alberta M. Sbragia (ed.), *Euro-politics: Institutions and*

Policymaking in the "New" European Community. Washington, D.C.: The Brookings Institution.

Rainwater, Lee; Rein, Martin; and Schwartz, Joseph. 1986. *Income Packaging in the Welfare State.* Oxford: Clarendon Press.

Rutkowski, Jan J. 1998. *Welfare and the Labor Market in Poland: Social Policy during Economic Transition.* Washington, D. C: The World Bank.

Scharpf, Fritz. 1999. *Governing in Europe: Effective and Democratic?* Oxford: Oxford University Press.

SZW. 1995. Dutch Ministry of Social Affairs and Employment. *Unemployment Benefits and Social Assistance in Seven European Countries.* The Hague: SZW.

Tussing, A. Dale. 1974. 'The Dual Welfare System', *Society* 11, 50-7.

Appendix

This appendix describes the LIS data sets used in this article and offers more information about definitions of the vulnerable groups and the means tested benefits variable.

Table A. 1 LIS surveys used for the analysis

Belgium 1992	Socio Economic Panel of Belgian Households
Belgium 1997	Socio Economic Panel of Belgian Households
Czech Republic 1992	Microcensus
Czech Republic 1996	Microcensus
Denmark 1992	Income Tax Survey
Finland 1991	Income Distribution Survey
Finland 1995	Income Distribution Survey
France 1989	Family Budget Survey
France 1994	Family Budget Survey
Germany 1989	German Socio-economic Panel Study
Germany 1994	German Socio-economic Panel Study
Hungary 1991	Hungarian Household Panel
Hungary 1994	Hungarian Household Panel
Italy 1991	The Bank of Italy Survey
Italy 1995	The Bank of Italy Survey
Netherlands 1991	Socio Economic Panel
Netherlands 1994	Socio Economic Panel
Poland 1992	Household Budget Survey
Poland 1995	Household Budget Survey
Spain 1990	Expenditure and Income Survey
Sweden 1992	Income Distribution Survey
Sweden 1995	Income Distribution Survey
United Kingdom 1991	Family Expenditure Survey
United Kingdom 1995	Family Expenditure Survey

As can be observed from the list above, there were no changes in the type of survey used in each country, reducing intra country comparability problems. Nonetheless, such problems exist, as is evident in very different values for the same variable in the two waves of data, e.g. the poverty rate of the unemployed in GE 1989 and GE 1994. One possible source of the problem is small sample sizes for certain categories in some of the surveys. Another difficulty is that LIS does not have information on gross wages and salaries for Hungary, France, Italy, Poland and Spain. Instead those data sets only provide a net wages and salaries variable. As a result, the poverty rates based on market income and the poverty reduction effectiveness are not fully comparable across countries and need to be interpreted with care.

Definition of vulnerable groups

Solo mothers are defined as households with a female head under 60 with at least one child aged under 18 present.

Large families are defined as households where a father and mother are present, both 65 or younger, and with at least 3 children younger than 18.

Unemployed refers to households where the head of household has a labor force status that indicates that he or she is unemployed. For most countries we used LIS variable lfshd (labor force status head) and for some countries we had to use LIS variable d18 (type of worker). The definition of unemployed varies among countries.

The elderly are defined as those 65 and older within the population. Elderly couples are households where both the head and spouse are 65 and older. Single elderly women are defined as one person households with a female head 65 and older. Single elderly men are defined as one person households with a male head 65 and older.

Means tested benefits for the different countries

Starting from the institutional information for countries in this study we determined which programmes should be included in our means tested variable. In a second step we looked for the availability of these programmes in LIS. Table A. 2 lists the programmes included in our means tested variable, and they do not correspond to the LIS variable V25 (means tested benefits). Other LIS variables have been used as well in order to get a more complete measurement of the role and effectiveness of means tested benefits, in accordance with our definition of the safety net. Although we made great effort to include all means tested or income tested programmes existing in the countries, problems related to data availability could not be entirely solved.

Unfortunately LIS does not have all variables for all countries. In a few instances a benefit may be available but not included in the survey and consequently it is not a LIS variable. In other cases it is not possible to separate a certain benefit because it is grouped with others. For Italy we were not able to isolate social pensions and means tested child allowances and therefore they are not included in the analysis. We were only able to use the regional and local administrated means tested benefits, such as the guaranteed minimum income (*Minimo Vitale*), the food allowance (*Minimo Alimentare*) and economic support (*Assistenza Economica*).

Table A.2 Means tested benefits for the different countries

Countries	Programmes included in means tested benefits
Belgium 1997	Social assistance Supplement to social assistance Benefit to guarantee subsistence Guaranteed income for elderly
Czech Republic 1996	Social assistance and other benefits Family allowances Housing benefit
Denmark 1992	Social assistance cash benefits Rent subsidies Supplement for old age benefit recipients
Finland 1994	Income support Unemployment benefits/basic amount and job market support Housing allowances for pensioners
France 1994	Social assistance Minimum guaranteed income Benefit for young child Allowance for single parents Rent subsidy Minimum old age benefit
Germany 1994	Means tested unemployment benefits Social assistance Educational stipends Housing allowances
Hungary 1994	Regular and irregular social assistance Means tested unemployment aid Means tested child allowances/supplementary
Italy 1995	Economic support from central, regional, provincial, municipal bodies and includes maintenance, guaranteed minimum income, food allowance, etc.
Netherlands 1994	Benefits from National Assistance Act (ABW) Benefits for unemployed workers (RRW) Benefits for older and partially disabled workers (IOAZ), Housing benefit
Poland 1995	Means tested government transfers Family and care allowances
Spain 1990	Basic income Retirement and disability non contributory pensions
Sweden 1995	Social assistance Housing allowances for elderly and non-elderly Means tested scholarships
United Kingdom 1995	Income support Family credit Means tested disability benefit Housing benefit

Source: LIS survey and technical documentation