

Nelson, Kenneth

Working Paper

Social assistance and minimum income protection in the EU: Vulnerability, adequacy, and convergence

LIS Working Paper Series, No. 511

Provided in Cooperation with:

Luxembourg Income Study (LIS)

Suggested Citation: Nelson, Kenneth (2009) : Social assistance and minimum income protection in the EU: Vulnerability, adequacy, and convergence, LIS Working Paper Series, No. 511, Luxembourg Income Study (LIS), Luxembourg

This Version is available at:

<https://hdl.handle.net/10419/95417>

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. 511

Social Assistance and Minimum Income Protection in the EU: Vulnerability, Adequacy, and Convergence

Kenneth Nelson

April 2009



2009-04-07

Social Assistance and Minimum Income Protection in the EU: Vulnerability, Adequacy, and Convergence*

Kenneth Nelson

Swedish Institute for Social Research
Stockholm University
106 91 SStockholm
Sweden

Abstract: In this paper social assistance developments are analyzed in a large number of EU member states, including European transition countries and the new democracies of southern Europe. The empirical analysis is based on the unique and recently established SaMip Dataset, which provides social assistance benefit levels for 27 countries from 1990-2005. It is shown that social assistance benefits have had a less favorable development than that of unemployment provision. Hardly any of the investigated countries provide social assistance benefits above the EU near poverty threshold. Social assistance benefit levels have not converged in Europe. Instead, divergence can be observed, which is mainly due to lagging developments in eastern and southern Europe.

Keywords: Comparative, Institutional, Contextual, Poverty, Low income

* A revised version of this paper is forthcoming in International Journal of Social Welfare

In recent decades, low-income targeting has become increasingly important as a safeguard against economic hardship. At least two processes are responsible for this development. The first process is changes in the distribution of market income, whereby citizens have increasingly come to rely on minimum income benefits in order to secure their livelihood. The second process is a gradual shift in political priorities, whereby policy makers have used low-income targeting as a means to redefine current social responsibilities (Gilbert, 2004). One can even argue that ideas of selectivity and individual responsibility seem to have gained influence over the old principles of universality and solidarity, which played a significant role in the establishment and expansion of several European welfare states in the immediate post-war period (Cox, 1998).

Low-income targeting is often considered to be an attractive alternative when budgetary imperatives engender pressures to cut social budgets, or as a way to mitigate potential adverse effects of first-tier benefits on public morality (e.g. Afonso, Schuknecht & Tanzi, 2003; Freeman, Swedenborg & Topel, 2006; Schuknecht & Tanzi, 2003, 2006). Thus, targeted policy responses to problems of low income and poverty, such as social assistance and minimum income benefits, seem to respond fairly well at least to the perennial and widely discussed tension between work and welfare. In part, this discussion focuses on the basic question of whether the welfare state and the public provision of financial support are in contradiction or are a precondition for a well functioning labor market (see Palier & Häusermann (2007) for an updated and recent overview of this debate). The increased emphasis on low-income targeting has not only played a decisive role in the most recent social policy developments in the liberal “Anglo-Saxon” welfare states, where social assistance has been a prominent feature of social policy during the whole post-war period. Also in the Nordic countries, where universalism perhaps has been most marked, targeted policy responses have gained attention on the political agenda (Kuivalainen & Niemelä, 2008). An increased degree of low-income targeting is also a

prescribed future reform in the various social sectors of the transition countries of the former Eastern Bloc (Heller & Keller, 2001).

Whether an increased targeting of economic resources to those defined as needy is beneficial for low-income households is not sufficiently documented. Some of the more recent results from income distribution studies do, in fact, place doubt on low-income targeting as an effective redistributive mechanism. For example, along with the growing importance of low-income targeting, welfare states have become less successful in catering for their poor and less fortunate citizens (Förster & Mira d'Ercole, 2005). A greater degree of low-income targeting may pose serious problems for poverty alleviation. Stigmatization of poor citizens and the well-known fear of poverty traps are two such obstacles against an increased targeting of social benefits. The hollowing out of public support for redistributive policies and an erosion of benefits over the longer run are two other problems (Korpi & Palme, 2008).

Targeted reform initiatives are also important elements of the European Union's social inclusion process. Nevertheless, there is little comparative analysis of programs across a broader set of EU member states (European Commission, 2005). One reason is lack of comparative institutional data of sound quality. In order to enable studies that more closely link social assistance to poverty and poverty alleviation, Ringdøl and Kasek (2007:xvii), for example, notes that

“...intense efforts are needed to ensure that country-level data are available for rigorous outcome evaluation of the targeting and effectiveness of programs overtime, particularly given dynamic changes in the landscape of poverty and exclusion....”

In this paper we will provide a summary of the first results from a unique research project

comparing social assistance arrangements both cross-nationally and temporally. We will examine three issues of special importance for contemporary welfare state research and for the debate about tensions between work and welfare: the vulnerability of social benefits, benefit adequacy, and convergence of social policy structures in Europe.

The study includes not only the longstanding democracies of the EU, but also representative countries of southern and eastern Europe. We therefore have the unique opportunity to address the extent to which the young EU democracies depart from social assistance patterns observed for the old democracies. An enlargement of the study to include southern and eastern Europe is warranted on several accounts. The young EU democracies provide several crucial and interesting cases. Perhaps most important, the new welfare state challenges are particularly apparent here. Mass unemployment and high poverty rates are common to many eastern European transition countries (Ringold & Kasek, 2007). Increasingly aging populations and low fertility rates are known issues in southern Europe. Although the countries of eastern and southern Europe share some common characteristics — including comparatively late economic, political, and social modernization — there are also differences. These variations often raise similar questions about the role of politics and path dependency that have long been addressed in connection with social policy in more longstanding welfare democracies.

In the most recent years, several of Europe's young democracies have introduced social reform initiatives that have supposedly brought them closer to the old welfare democracies. Spain and the Baltic countries, for example, have recently introduced Scandinavian-like policies that benefit families. Similarly, several transition countries have introduced social insurance schemes of essentially the same structure as those in Continental Europe. The extent to which reforms such as these are important landmarks for social policy developments in eastern and southern Europe is unclear. The same applies to the role of EU enlargement and integration for

these institutional changes. Despite several important social policy reform initiatives, poverty is of major concern in many of these young democracies. The need for effective social assistance arrangements is therefore urgent (Braithwaite, Grootaert & Milanovic, 2000).

The empirical analysis is based on the recently constructed Social Assistance and Minimum Income Protection Interim Dataset (SaMip), which provides data on benefit levels for a large number of EU member states. In addition, new data for southern and eastern European countries have been gathered as part of the European RECOWE Research Network.¹

Combined with comparable and institutional social policy data for the young EU democracies as well, greater possibilities are created for a more pronounced and nuanced picture of the social situation in the European Union as a whole. For example, such data might show whether social policies in southern and eastern Europe have approached those in other EU member states. This is of direct relevance for our understanding of the ideas that will shape the new “social Europe.”

The paper is organized as follows. Next is a brief summary of the economic, political and institutional legacy of southern Europe and the European transition countries. Then the data used in the empirical analyses is explained. This section is followed by a presentation of the main results, which are subsequently discussed.

Social policy in the new EU democracies

Southern and eastern Europe do not, of course, constitute a homogenous area in terms of cultural, political, or economic experience. Nevertheless, a number of countries in these regions have experienced a recent spell of prolonged authoritarian leadership. Greece, Portugal, and

Spain abolished their authoritarian political systems and introduced democracy earlier than eastern Europe. In the literature on welfare state models there is a discussion about the classification of the southern European countries. Social transfers in southern Europe are often generous for economically active citizens, whereas income security for those without labor market attachment is less well covered by existing benefits. In a few southern European countries there are no national regulations guaranteeing minimum income standards (Lødemel & Schulte, 1992). In addition, benefits often differ greatly across program areas. Old age pensions are often well developed, while provisions for other social risks, such as unemployment and sickness, are of lower quality.

In discussing the classification of the southern European welfare states, it is also important to note the role of families. Like several Continental European countries, southern Europe is characterized by traditional family patterns with a working husband and a dependent wife. Different types of family benefits are, if not absent, underdeveloped and of low quality, at least in comparison with dual-earner systems (Ferrarini, 2006; Korpi, 2000). Based on observations such as these, it has been suggested that the southern European countries belong to a unique social policy cluster with distinct institutional characteristics (Ferrera, 1996; Leibfried, 1992; Martin, 1997). This categorization is not without criticism. Several major social transfer schemes in southern Europe are organized separately for different occupations. Katrougalos (1996) therefore classifies the social policy systems of southern Europe as variants of those systems developed in Continental Europe.

Until the end of the 1980s, welfare provision was organized rather similarly across the European transition countries. Priority was given to the creation and maintenance of a large

¹ RECOWE is a Network of Excellence (NoE) of the Sixth Framework Programme (FP6) on Reconciling Work

labor force that included both men and women. Full employment was the ideal scenario, something that had direct relevance for the structuring of social policy. For example, unemployment was not considered to be a risk to be insured against. Wage differentials were modest, and in return for work citizens received heavily subsidized prices on basic commodities and services. The workplace was the main provider of welfare for the workers. Under state socialism, employers ensured many basic needs, such as food, housing, health service, schools, childcare, and so forth (Wagener, 2002). Compared to standards in the West, however, the social services and cash benefits were often of low quality (Deacon, 2000), even after several reform initiatives in the 1970s to strengthen the systems (Millard, 1992).

At the beginning of the transition process in the early 1990s, the economies of several European transition countries were immediately subject to international competition. The reform of financial institutions, such as banking systems and capital markets, was given the highest priority in the early transition process. The financial reforms were particularly advanced in Hungary and Poland, whereas reforms in Bulgaria, Estonia and Russia were more restrained in character (Milanovic, 2000). Less attention was paid to the reorganization of social policy during these first years of transition (Orenstein & Hass, 2002). The structural adjustment programs of the early transition process seldom included any major social reforms, for example, of health services, education or pension systems (Inglot, 1995). Quite soon, strict macroeconomic stabilization policies, rapid price liberalization, and international competition resulted in sharp declines in economic performance. Demand for labor more or less disappeared, with sharply decreased employment rates and increased unemployment rates as two major consequences. There were some differences in labor market trends. Perhaps most apparent were the employment rates of transition countries belonging to the Commonwealth of Independent States and Welfare in Europe.

Independence States (CIS), where minor declines were initially observed (World Bank, 1996).

The full employment strategy of the old authoritarian regimes left several blank spots with regard to social security and welfare, particularly in transition countries where labor markets more or less collapsed in the early 1990s. Only a few transition countries had developed even simple forms of unemployment benefits. Other major social programs, such as pensions, health care and family policy, were also in need of profound reform. Many transition countries therefore had to start from scratch to organize social protection, not the least for the large number of unemployed people (Elster, Offe & Preuss, 1998). In this scenario, international observers often recommended targeted social policy responses, largely in the form of means-tested social assistance benefits (Heller & Keller, 2001). According to liberal economic doctrines, targeted social policy initiatives are less likely to interfere with market principles. Targeted measures are also more efficient than universal provisions.² Concerns were raised that extensive social benefit systems would hamper economic growth and ultimately conflict with one of the primary objectives of transformation (Wagener, 2002).

Several transition countries have now introduced social insurance programs approximating the corporatist structure commonly applied in Continental Europe (Godfrey & Richards, 1997; OECD, 1994). Possible exceptions are Hungary and the Baltic States, where encompassing ideas appear to have had some influence on social policy organization (Ferrarini & Sjöberg, 2008). Eligibility for corporatist social insurance programs is based on combinations of contributions and membership in occupational categories. Benefits are often earnings related. Encompassing programs combine citizenship-based universal benefits and earnings-related compensation for economically active citizens (Korpi & Palme, 1998). Since many transition

countries already before the transition process had some resemblance to corporatist structures, social policy reform in eastern Europe has been linked both to earlier practices by the old socialist regime and to the emulation of the social policy organization of neighboring welfare states (Offe, 1993). At least for unemployment insurance, replacement rates were initially set at levels approximating those of western Europe. Nowadays, however, the transitional countries are not among the top providers in the European social protection league, although unemployment replacement rates are at least in par with low spending western European countries (Ferrarini & Sjöberg, 2008).

An important institutional aspect is that reciprocity rates in transition countries are considerably lower than in other European countries (Ferrarini & Sjöberg, 2008), something that makes social insurance less redistributive in character. The reciprocity rate reflects the proportion of registered unemployed citizens receiving unemployment insurance provision. Since many people have been affected by unemployment and the rise in poverty in several transition countries, there is an increasing role for effective social assistance arrangements (Braithwaite *et al.*, 2000). It is therefore important to devote research efforts to gathering social assistance information and to conducting social assistance analysis of not only longstanding democracies, but also the new EU democracies.

Data

Even today, most large-scale comparative studies on social policy are based on expenditure data. The limitations and drawbacks of social expenditure are well known and need not be repeated here (Clayton & Pontusson, 1998; Esping-Andersen 1987, 1990; Gilbert & Moon, 1988; Goodin, Headey, Muffels & Dirven, 1999; Korpi, 1989; Korpi & Palme, 1998). The

² This does not necessarily mean that targeted measures are also more effective at reducing poverty (see Author,

empirical analyses are based on institutional data measuring the level of social assistance benefits. In this paper we base the empirical analyses on the unique and recently constructed SaMip dataset, which is established at the Swedish Institute for Social Research (SOFI), Stockholm University. More detailed information about SaMip is provided by Author (2007c) and associated download files can be accessed on SOFI's website (www.sofi.su.se). SaMip use typical cases to establish comparable indicators on social assistance benefit levels. SaMip includes data for a large number of industrialized welfare democracies for each year from 1990-2005.

Originally SaMip did not include the European transition countries. Several southern European countries were also lacking. The following countries were included in SaMip Ver. 1.1: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Switzerland, Sweden, the United Kingdom, and the United States. SaMip has therefore been complemented and updated with similar preliminary social assistance indicators for: the Czech Republic, Estonia, Greece, Hungary, Poland, Portugal, Slovakia, Slovenia, and Spain.³ Benefits are calculated for three family types: a single person, a one-parent family, and a two-parent family. In addition to standard social assistance benefits, the dataset includes information on child benefits, housing benefits, and tax credits. In this paper, social assistance refers to the low-income benefit package containing (where relevant) all these benefits. In addition, the analysis of the vulnerability of social benefits is based on unemployment insurance data. Institutional data on social insurance data is from the Social Citizenship Indicators program (SCIP) at SOFI (see Korpi, 1989), which nowadays is also for public use and can be accessed online. For European transition countries, 2003)

³ Ola Sjöberg at SOFI has given me permission to use the social assistance data he has collected for Estonia and Slovenia.

data on unemployment insurance is from Ferrarini & Sjöberg (2008), and for Greece, Portugal, and Spain, data is from Montanari, Author & Palme, (2008). These new social insurance data are standardized to be comparable with SCIP.

In order to calculate social assistance adequacy rates, institutional data from SaMip is combined with income distribution data from the Luxembourg Income Study (LIS). LIS contains harmonized national micro-level income data, from which equivalized median income is computed. Equivalized income is used to standardize income across households of different size and needs. The equivalence scale used is the square root of household size, which is now the most common procedure of standardizing income. The ratio of social assistance to the median income reflects the adequacy of social assistance. This ratio can subsequently be compared to different poverty thresholds, such as 50 or 60 percent of median income.

Results

This section begins with an analysis of the vulnerability of social benefits during welfare state decline. Subsequent sections focus on the adequacy of social assistance and benefit convergence.

The vulnerability of social benefits

Increased attention has been paid to targeting strategies and institutional resistance since Pierson (1994) confronted conventional wisdom in the early 1990s. Pierson argued that targeted measures, such as social assistance, are less vulnerable to retrenchment than universal provisions. A few citations illustrate Pierson's reasoning:

Universal programs do tend to be stronger, but because of this they also are much larger and more generous...Means-tested programs tend to remain small, stingy, and restricted to groups unable to afford private provision. The result of these differences

is that a government committed to radical change finds its attention naturally drawn to universal programs. The same features that make universal programs politically strong make them likely targets for major retrenchment efforts...If the programmatic losers in the 1980s were often universal programs, the biggest winners were in fact targeted ones.” (Pierson, 1994: 103-104)

It has been shown elsewhere that Pierson’s basic argument fails to explain the long-term development of social assistance in the old EU democracies and Anglo-Saxon welfare states (Author, 2003; 2007a). Conventional wisdom still seems to hold. During times of welfare state retrenchment and decline, universal benefits most often stand better chances of surviving curtailments than means-tested benefits. The theoretical argument is simple rational choice. Universal programs tend to have stronger support among citizens. Many people benefit from these programs and universal benefits do not possess the stigmatizing character of means-tested programs. In part, these features make universal programs less vulnerable to curtailment among rational political decision makers.

In this section, we focus on the new EU democracies and whether similar tendencies of retrenchment can be observed as in the old EU democracies. *Figure 1* shows social assistance developments in four groups of EU countries for the years 1990-2005: European transition countries (the Czech Republic, Estonia, Hungary, Poland, Slovenia, and Slovakia), the new southern European democracies (Portugal and Spain), the old EU democracies (Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Sweden, and the United Kingdom), and EU19 (all of the above countries). Greece does not have the type of social assistance regulations included in SaMip. Social assistance is standardized for wage development and the year 1995 serves as the baseline for comparison.⁴ Virtually all countries

⁴ Indexation to wages has more relevance for relative poverty than indexation to prices (see Author, 2008).

have had negative developments and curtailments in benefits over this period. This tendency also holds true for the new democracies of southern Europe and for the European transition countries. Portugal and Spain have had the most dramatic development and an average benefit reduction of 55 percentage points. This exceptional development is heavily influenced by the Spanish situation, where the relative decline in social assistance was 68 percent. In Portugal, the corresponding reduction in benefits was 6 percent between 1995 and 2005. Social assistance developments among the European transition countries largely follow the pattern observed for the old EU democracies. The most notable exception is for 1995, when benefits did rise much sharper than wages in the eastern group. This increase of benefits is due to strengthened benefits in Hungary and Slovakia. In both Slovenia and the Czech Republic, benefits showed a decrease this year. The first year of observation in SaMip for Poland and Slovenia is 1995. For the other transition countries the first year of observation is 1993 for the Czech Republic, 1995 for Estonia, 1992 for Hungary, and 1993 for Slovakia. For Portugal the first year of observation is 1996.

[Figure 1]

The negative development of social assistance benefit levels is worrying for poverty alleviation on several accounts. Most important, since benefits fail to keep up with wage development, the poverty-reducing ability of social assistance becomes less effective over time. Although incentives to take on paid employment may have been strengthened due to the slow but steady erosion of social assistance benefits, the downside of this development may be less effective redistribution policies. We will address this question of benefit adequacy later. At the moment, however, we are more concerned with a relational question: are the most recent trends in the development of social assistance exceptional compared to those of other benefit programs? Pierson's (1994) argument suggests that the universal parts of the benefit system have even

worse track records than targeted measures. *Table 1* compares the evolution of unemployment insurance provisions and social assistance benefits in five European transition countries and in two new southern European democracies. We follow common procedure in this debate and categorize insurance provisions as belonging to the group of universal benefits. On the continuum between targeted and universal provisions, social insurance provisions are generally located more closely to the universal end point. Pierson (1994) also defines social insurance as being essentially universal in nature. Negative figures indicate that social assistance has been subject to greater retrenchment efforts than social insurance. Negative figures therefore give support to the traditional wisdom of greater vulnerability for targeted benefits.

[Table 1]

Nearly all differences between social assistance and unemployment insurance have negative values; thus, they follow similar patterns observed elsewhere for western Europe and some non-European countries (Author, 2007a). The only exception is Slovakia 1995-2000, where social assistance had a more favorable development than unemployment insurance. It is easily seen that social assistance developments (relative to unemployment insurance) have been particularly worse among the European transition countries than in Portugal and Spain. The difference between social assistance and unemployment insurance for the period 1995-2005 is most often substantially above 20 percentage points among the transition countries, whereas the difference is below 20 percentage points in Portugal and Spain. In fact, the Czech Republic is the only transition country with a percentage below 20 percent for the period 1995-2005. In this case it is 18 percent. Moreover, among the old EU democracies and Anglo-Saxon welfare states the corresponding average figure for the period 1995-2003 is 13.9 percentage points (Author, 2007a).

It is beyond this study to explore in detail potential explanations for the marked differences in the vulnerability of social assistance between the new and old EU democracies. Here we can only speculate about reasons for these differences: whether they are due to institutional configurations of the programs, for example their financing and legal framework, or if the differences more have to do with exogenous factors, such as the macro-economic context and public opinion about redistribution. Path dependency and different traditions concerning traditional forms of poor relief may also be a factor to consider here.

Adequacy of social assistance

Cross-national comparisons of social assistance benefit levels, or the generosity of social assistance, are complex. Replacement rates, which are often used for social insurance, are less theoretically meaningful for social assistance. Targeted benefits are not intended to replace lost income. Instead, one of the main purposes of social assistance is to reduce poverty and economic hardship. It is therefore interesting to compare whether social assistance is offered at levels that enable households to leave poverty. This analysis is accomplished by calculating adequacy rates, which reflect the size of social assistance benefits relative to median incomes (see Author, 2003; 2008).

The adequacy of social assistance is particularly interesting from a European perspective. Since the early 1990s, the European Union has become more concerned with social issues, although mandatory legislation in relation to social policy in the narrow sense are still absent at the EU level. This increased social attention has instead been manifested as published recommendations about the strategies taken in various member states to reduce poverty and social exclusion. Another example of this process is the annual survey of the social situation in the respective member states and in the EU as a whole. In this survey, the 60 percent poverty threshold has somewhat confusingly been defined as the “near poverty rate” (European

Commission, 2006).⁵ Thus, households with an income below 60 percent of median income in the total population are considered to live near poverty. We will establish whether social assistance is provided at levels above this threshold.

Figure 2 shows the adequacy rates for social assistance in six European transition countries, Spain, and the old EU democracies. Portugal is missing due to a lack of LIS data. Adequacy rates are shown for the three typical cases included in SaMip. There are large variations in social assistance adequacy rates among the EU member states in general, and among the European transition countries in particular. It is shown elsewhere that none of the old EU democracies has adequacy rates above the 60 percent near poverty threshold (Author, 2008). In *Figure 2* we can also see that the averages for the old EU democracies are below this poverty threshold. The averages for the old EU democracies are even below 50 percent of median disposable income. Adequacy rates among the European transition countries are also markedly below the near poverty threshold. Social assistance adequacy rates are in most cases below the average adequacy rates for the old EU democracies. Especially in Estonia and Hungary, social assistance is far from providing adequate protection against poverty. Spain also provides comparatively low social assistance benefits, and Spanish adequacy rates are clearly below the EU average. Notably, the only country that actually provides social assistance benefits above the EU near poverty threshold is Slovenia, for the one-parent typical case

[Figure 2]

The telling story offered by the above analysis is rather disappointing in terms of welfare effort. At present, the social agenda on display in the European Union seems not to be reflected in

⁵ Poverty rates based on the European Union near poverty threshold includes households whose income by

actual practice by the member states. Only a few member states offer social assistance at levels sufficient for effective poverty alleviation, something that could be seen as a failure for the new “Social Europe.” Furthermore, social policy is hard to change and progress is often achieved slowly. Perhaps the new method of “open coordination” is one way to achieve more effective social benefits. Some European transition countries in particular have social assistance adequacy rates that ought to be improved in order to increase the possibilities for effective poverty alleviation. Other European transition countries are already providing social assistance benefits on par with those of the longstanding EU democracies, although benefits are still below the near poverty threshold. Whether this has anything to do with policy recommendations at the European level is, of course, more than an empirical matter based on analyses of social assistance adequacy rates. Nevertheless, good quality institutional data like those presented here constitute a first step and a complement to an analysis that more closely monitors social reforms introduced in the European welfare states.

The analysis above also gives some indications as regards to the complicated relationship between work and welfare. On the one hand, benefits should be kept at levels sufficient to raise households above the poverty line. On the other hand, and judged by the ongoing discussion about the welfare state and labor supply, benefits must be kept at levels that will not introduce serious disincentive effects. The crucial matter seems to be a recalibration involving both the provision of adequate benefits and setting up benefit programs that do not distort incentives to do paid work. It is obvious that the EU member states have not responded successfully to the first demand of modern forms of social assistance. One strategy that perhaps can be elaborated further and not investigated here is so-called tapers on work income, whereby the withdrawal rate of benefits is less than 100 percent. Such tapers have been introduced in some European comparative standards would surely be defined as living in poverty, and in some cases even harsh poverty.

countries, but are still absent in others. Tapers can, if arranged successfully, increase the potential to offer generous benefits while mitigating unintended and negative consequences for the labor supply.

Another strategy that is applied practically throughout all of Europe is workfare. However, the impact of these work-orientated welfare policies on entries into employment is a matter of continual debate. The little evidence there is from comparative projects focusing on workfare policies suggests that most countries use workfare in a preventive fashion. The focus is on dependency and the reinforcement of individual responsibilities rather than on structural forces operating at societal level (Trickey, 2001). Workfare may also involve important gender dimensions. Activation of the welfare clientele of the sort usually found in relation to workfare arrangements often assumes a gender-neutral distribution of paid and unpaid work, something that may have negative consequences for the well-being of one-parent families (Chunn & Gavigan, 2004; Michaud, 2005). This type of gendered outcome of workfare is probably most apparent in countries where child care is less well developed. In addition to the tension between work and welfare identified above, workfare therefore includes the problematic and complex tripartite relationship between work, welfare, and childcare responsibilities.

Social assistance convergence

Social policy programs are subject to reform pressures and initiatives driven by forces operating at the international level. One crucial question in social policy debate is the degree of impact of these international driving forces on domestic policy (see Korpi & Palme, 2003; Montanari, Author & Palme, 2007; Pierson, 2001). EU influence on national social policy is one example that surely concerns social assistance. Both Threllfall (2003) and the European Commission (1998) state that social assistance benefits have converged in the European Union. This may certainly be true for some parts of social assistance regulations, for example, in

relation to the mere existence of minimum income benefits and the degree of standardization and centralization. As regards the level of benefits, however, it is more likely that divergence has occurred (Author, 2007b).

The question here is whether an inclusion of developments in eastern and southern Europe will change this pattern. Of course, one can argue that it takes time to adapt to international standards and that especially the new member states of eastern Europe have not been exposed to EU social reform pressures and initiatives for any longer period of time. However, EU membership is an integration process that lasts a number of years. Countries have to adapt to economic and political conditions well before they are approved as EU members. Nevertheless, social achievements are not manifested in what are known as the Copenhagen criteria, which are the rules that stipulate the conditions that must be present in order for a country to be eligible for EU membership. Substantial convergence in the level of social assistance due to the recent enlargement of the European Union is therefore unlikely.

Figure 3 shows the dispersion in social assistance benefit levels for the 19 EU countries and the years 1990 to 2005. Cross-national variation is measured by the coefficient of variation and benefits are standardized using PPPs and USD. In the diagram there is one line for the whole group of countries and one line for the three groups of countries specified above. Over the whole period, social assistance developments in the European Union lean more towards divergence than convergence. The exclusion of the European transition countries and the new southern democracies alters this tendency. What happens is that the divergent trend in benefit levels disappears. The marked divergent trend in social assistance benefits within the EU seems therefore in part to be driven by the divide between the old and the more recent EU democracies. The exceptional changes to the dispersion of social assistance benefit levels between the years 1993 and 1995 for the European transition countries is largely due to the

successive inclusion of European transition countries in SaMip data.

[Figure 3]

These findings make it interesting to analyze more closely the extent to which social assistance in the new EU democracies has kept up with developments in the old democracies. *Figure 4* shows absolute increases of social assistance benefit levels, standardized for PPPs and expressed in USD for the four groups of EU countries above. Note that the development is not standardized for wage development or prices. Since most countries adapt benefits to inflation on a regular basis, benefits in most occasions show an absolute increase. We can easily see that the purchasing power of social assistance is lower in the new EU democracies than in the old ones. It is also obvious that benefits in the new EU democracies have not kept pace with that in the older democracies, something that explains the divergent trend in social assistance benefit dispersion above. In 1990, benefit levels in Portugal and Spain amounted on average to 73 percent of corresponding benefits in the old EU democracies. In 2005, the corresponding percentage was down to 57 percent. For the European transition countries, these percentages are equal on average to 52 in 1995 and 42 in 2005.

[Figure 4]

Differences in benefit levels among EU member states raise several important questions in relation to the mobility of labor and inactive citizens, particularly since the differences between the old and new EU democracies have increased in recent years. In fact, the enlargement of the EU and the inclusion of several former Eastern Bloc countries have resulted in a discussion about “welfare tourism,” “welfare dumping,” and “social raids.” Welfare tourism refers to situations in which the primary objective of migration is driven by opportunities to receive

social benefits from the host country. One example of welfare dumping occurs when migration from low wage countries is driven by citizens establishing businesses (often low wage) in more economically advanced countries. Social raids reflect situations in which migrant workers export social benefits to their country of origin (Kvist, 2004). For example, Sinn and Werding (2001), Sinn (2002, 2004), and Sinn and Ochel (2003) refer to the migration of European citizens as a major challenge to the provision of social assistance in the various member states and to the continuation of European welfare states. Sinn and Werding (2001) argue that welfare-related migration following the enlargement of the EU threatens the very dual relationship between rights and duties embodied in the structures of modern welfare states. For example, Sinn and Werding (2001: 31) states:

The traditional western European-style welfare state is incompatible with the free mobility of labour and immediate inclusion of immigrants in the host country's welfare programmes. Since each state will attempt to discourage net recipients of state transfers and to attract net contributors, the foundations of the welfare state are eroded.

The evidence of the magnitude of these cross-border movements of inactive citizens within the EU is inconclusive at best. Most European studies use some kind of simulation of fictitious typical cases, which shows financial gains from moving and receiving social benefits from the host country, and not actual welfare migration *per se* (De Giorgi & Pellizzari, 2006; Ochel, 2007). Studies based on the stock of residents in the old EU democracies find only limited empirical evidence of migration due to the generosity of benefit systems (Kvist, 2004). It would therefore appear that the issue of welfare-related migration within the EU is somewhat overstated at present. One reason for this may be that welfare systems are less important than wage differences for decisions concerning migration (De Giorgi & Pellizzari, 2006). Moreover, social bonds, kin and personal networks are important factors to consider in European

migration research. Cultural and linguistic barriers should be recognized as well (Moreno, 2000).

Discussion

In this paper we have offered an analysis of social assistance developments in a large number of EU member states, including the new EU democracies of eastern and southern Europe. We have addressed three issues in connection with these developments: whether social assistance is more vulnerable to retrenchment than social insurance is, the extent to which social assistance benefits provide adequate protection against poverty, and whether social assistance benefit levels have converged in Europe lately. The addition of new EU democracies to the empirical analysis does not alter previous insights to any significant extent. Social assistance is still more vulnerable to cutbacks than universal provisions are. Social assistance benefits are generally not provided at levels above the poverty threshold that is commonly applied in EU studies. Moreover, social assistance benefits have not converged among the EU member states. Most importantly, the gap between the new and the old EU democracies has widened in recent years.

There are, of course, other institutional aspects beside benefit levels that are relevant to the poverty-reducing abilities of social assistance. Nevertheless, the level of benefits can be regarded as one of the most crucial institutional aspects in this regard. No matter how generous programs are, for example, with regard to eligibility criteria and exempt income, benefits must be provided at levels above the poverty threshold in order to be truly effective for poverty alleviation. In this regard, EU policy can make a difference. It is doubtful, however, whether the kind of non-binding EU regulations that have emerged recently in the area of social policy is the right means to this end. At least for social assistance, there is no truly effective set of EU regulations to use as a model.

Practically all EU member states have to redesign social assistance and raise benefit levels in order to provide benefits above the poverty threshold, at least on an annual basis. A complementary anti-poverty strategy is to offer more inclusive and generous first-tier benefits, such as social insurance, and crowd out the need for social assistance from within. Another possibility is a new steering wheel for macro-economic policy, which would perhaps prioritize full and high-quality employment more or on par with the steering wheel for low inflation. Both these latter alternatives seem somewhat unrealistic at the moment. Given the priority between economic and social objectives at the EU level today, social priorities seem to enter the EU policy agenda at the stage when economic priorities have already been laid down. Social policy seems therefore not to be an integral part of EU economic policy.

In light of the current macro-economic policy of the European Union, insufficient social assistance arrangements are probably here to stay. Benefits simply must be kept down in order not to interfere with market principles and the employability of the labor force.

These are not new remarks. Perhaps more interesting is the new evidence of the gap between the new and the old EU democracies. EU enlargement and integration have not yet reached the stage where social policy differences between countries tend to disappear. There is no EU convergence in social assistance benefits and consequently it is difficult to speak of a single European social model in this regard. Instead, initial differences in social assistance benefits between the new and the old EU democracies seem to have strengthened and even become reinforced. Whether this development is limited to social assistance or also applies to other social policy areas has to be investigated further. This would, however, necessitate directing more resources to basic research and pioneering data collection of the institutional type presented here.

References

Afonso A, Schuknecht L, Tanzi V (2003). Public Sector Efficiency: An International Comparison. *Public Choice* 123: 321-437.

Braithwaite J, Grootaert C, Milanovic B (2000). *Poverty and Social Assistance in Transition Countries*. New York, Palgrave Macmillan.

Chunn DE, Gavigan SAM (2004). Welfare Law, Welfare Fraud and the Moral Regulation of the 'Never Deserving' Poor. *Social and Legal Studies* 13(2): 219-243.

Clayton R, Pontusson J (1998). Welfare-State Retrenchment Revisited: Entitlement Cuts, Public Sector Restructuring, and Inegalitarian Trends in Advanced Capitalist Societies. *World Politics* 51:67-98.

Cox RH (1998). The Consequences of Welfare Reform: How Conceptions of Social Rights are Changing. *Journal of Social Policy* 27(1): 1-16.

Deacon B (2000). Eastern European Welfare States: The Impact of the Politics of Globalization. *Journal of European Social Policy* 10(2): 146-161.

De Girorgi G, Pellizzari M (2006). *Welfare Migration in Europe and the Cost of a Harmonised Social Assistance*. IZA Dp No. 20934.

Elster J, Offe C, Preuss UK (1998). *Institutional Design in Post-Communist Societies*. Cambridge, Cambridge University Press.

Esping-Andersen G (1990). *The Three Worlds of Welfare Capitalism*. Princeton, Princeton

University Press.

Esping-Andersen G (1987). *The Comparison of Policy Regimes: An Introduction*. In Rein M, Esping-Andersen G, Rainwater L, eds. *Stagnation and Renewal in Social Policy*. Armonk, NY, M. E. Sharpe.

European Commission (2006). *Portfolio of Overarching Indicators and Streamlined Social Inclusion, Pensions, and Health Portfolios*. Brussels, European Commission.

European Commission (2005). *Report on social inclusion 2005: An Analysis of the National Action Plans on Social Inclusion (2004-2006)*. Luxembourg, Submitted by the 10 New Member States. Directorate General for Employment, Social affairs, and Equal Opportunities.

European Commission (1998). *Report on the Implementation of the Recommendation 92/441/EEC of 24 June 1992 on Common Criteria Concerning Sufficient Resources and Social Assistance in Social Protection Systems. Commission Report to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions. COM (98) 774 Final*. Brussels, European Commission.

Ferrarini T (2006). *Families, States and Labour Markets: Institutions, Causes and Consequences of Family Policy in Post-War Welfare States*. Cheltenham, Edward Elgar Publishing.

Ferrarini T, Sjöberg O (2008). *Welfare State Development and Health Outcomes in Transition Countries*. Working Paper: Swedish Institute for Social Research.

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

Freeman R, Swedenborg B, Topel R (2006). *Att reformera välfärdsstaten: Ett amerikanskt perspektiv på den svenska modellen* [To Reform the Welfare State: An American Perspective on the Swedish Model]. NBER-rapporten 2: SNS Förlag.

Förster M, Mira d'Ercole M (2005). *Income Distribution and Poverty in OECD Countries in the Second Half of the 1990s*. OECD Social, Employment and Migration Working Paper No. 22: Paris, OECD.

Gilbert N (2004). *Transformation of the Welfare State: The Silent Surrender of Public Responsibility*. New York, Oxford University Press.

Gilbert N, Moon A (1988). Analyzing Welfare Effort: An Appraisal of Comparative Methods. *Journal of Policy Analysis and Management* 7:326-40.

Godfrey M, Richards P (1997). *Employment Policies and Programmes in Central and Eastern Europe*. Geneva, International Labour Office.

Goodin RE, Headey B, Muffels R, Dirven HJ (1999). *The Real Worlds of Welfare Capitalism*. Cambridge, Cambridge University Press.

Heller P, Keller C (2001). *Social Sector Reform in Transition Countries*. IMF Working Paper No. 01/35. International Monetary Fund.

Inglot T (1995). The Politics of Social Policy Reform in Post-Communist Poland: Government Response to the Social Insurance Crisis during 1989-1993. *Communist and Post-Communist Studies* 28(3): 361-373.

Katrougalos G (1996). The South European Welfare Model: The Greek Welfare State in Search of an Identity. *Journal of European Social Policy* 6(1): 39-60.

Korpi W (2000). Faces of Inequality: Gender, Class, and Patterns of Inequalities in Different Types of Welfare States. *Social Politics* 7(2): 127-191

Korpi W (1989). Power, Politics, and State Autonomy in the Development of Social Citizenship: Social Rights during Sickness in Eighteen OECD-countries Since 1930. *American Sociological Review* 54(3): 309-328,

Korpi W, Palme J (2003). New Politics and Class Politics in the Context of Austerity and Globalization: Welfare State Regress in 18 Countries 1975-1995. *American Political Science Review* 97(3): 1-22.

Korpi W, Palme J (1998). The Paradox of Redistribution and the Strategy of Equality: Welfare State Institutions, Inequality and Poverty in the Western Countries. *American Sociological Review* 63 (5): 661-87.

Kuivalainen S, Niemäle M (2008). *From universalism to Selectivism? The Rise of Anti-poverty Policies in Finland*. Paper presented at RC19 Meeting in Stockholm, September.

Kvist J (2004). Does EU Enlargement Start a Race to the Bottom? Strategic Interaction among

EU Member States in social Policy. *Journal of European Social policy* 14(3): 301-318.

Leibfried S (1992). Towards an European Welfare State? On Integrating Poverty Regimes into the European Community. In Ferge Z, Kolberg J, eds. *Social Policy in a Changing Europe*. New York/Frankfurt (Main), Westview/Campus.

Lødemel I, Schulte B (1992). Social Assistance: A Part of Social Security or the Poor Law in New Disguise? In European Institute of Social Research, ed. *Reforms in Eastern and Central Europe: Beveridge 50 Years After*. Leuven, Acco.

Luxembourg Income Study (LIS) Database, <http://www.lisproject.org/techdoc.htm> (multiple countries; {14th October 2008 – 22 October 2008})

Martin C (1997). Social Welfare and the Family in Southern Europe: Are there Any Specificities. In MIRE, ed. *Comparing Social Welfare Systems in Southern Europe, Volume 3*. Florence Conference. MIRE.

Michaud J (2005). Political Discourses on Workfare and Feminist Debates on the Recognition of Unpaid Work. *Atlantis* 28(2).

Milanovic B (2000). Social Costs of the Transition to Capitalism: Poland 1990-94. In Iatridis D, ed. *Social Justice and the Welfare State in Central and Eastern Europe: The Impact of Privatization*. Westport, CT, Praeger.

Millard F (1992). Social Policy in Poland. In Deacon B, ed. *The New Eastern Europe: Social Policy Past, Present and Future*. California, Sage.

Montanari I, Author, Palme J (2008). Towards a European Social Model? Trends in Social Insurance among EU countries 1980-2000. Forthcoming *European Societies* 10(5)..

Montanari I, Author, Palme J (2007). Convergence Pressures and Responses: Recent Social Insurance Developments in Modern Welfare States. *Comparative Sociology*, Vol. 6(3): 295-323.

Moreno L (2000). *Europeanization and Decentralization of Welfare "Safety Nets"*. Unidad de Politicas Comparada (CSIC) Working Paper 00-10.

Author (2008). *Adequacy of Social Minimums: Workfare, Gender and Poverty in Welfare Democracies*. Submitted to American Sociological Review.

Author (2007a). Universalism versus Targeting: The Vulnerability of Social Insurance and Means-Tested Minimum Income Protection in 18 countries 1990-2002. *International Social Security Review* 60(1): 33-58.

Author (2007b). Minimum Income Protection and European Integration: Trends and Levels of Minimum Benefits in Comparative Perspective 1990-2005. *International Journal of Health Services* 38(1): 103-124.

Author (2007c). *Introducing SaMip: The Social Assistance and Minimum Income Protection Interim Dataset*. S-WoPEc No. 11/2007. Swedish Institute for Social Research.

Author (2003). *Fighting Poverty: Comparative Studies on Social Insurance, Means-tested*

Benefits and Income Redistribution. Dissertation Series No. 60. Swedish Institute for Social Research.

Ochel W (2007). *The Free movement of Inactive Citizens in the EU- A Challenge for the European Welfare State*. CESIFO Working Paper No. 1930.

OECD (1994). *Unemployment in Transition Countries: Transient or Persistent*. Paris: OECD.

Offe C (1993). The Politics of Social Policy in East European Transitions: Antecedents, Agents, and Agenda for Reform. *Social Research* 60: 649-684.

Orenstein MA, Hass MR (2002). *Globalization and the Development of Welfare States on Post-Communist Europe*. BCSIA Discussion Paper 2002-02. Kennedy School of Government, Harvard University.

Palier B, Häusermann S (2007) *Towards Employment-friendly Welfare States? RECWOWE State of the Art Report*. Paris.

Pierson P (2001). *The New politics of the Welfare State*. Oxford, Oxford University Press.

Pierson P (1994). *Dismantling the Welfare State? Reagan, Thatcher, and the Politics of Retrenchment*. Cambridge University Press, Cambridge.

Ringold D, Kasek L (2007). *Social Assistance in the new EU Member States. Strengthening performance and Labor Market Incentives*. World Bank Working Paper No. 117.

Schuknecht L, Tanzi V (2006). Reforming Public Expenditure in Industrialised Countries. Are There Trade-offs? *Working Paper Series* No. 435. European Central Bank.

Schuknecht L, Tanzi V (2003). Public Sector Efficiency: An International Comparison. *Working Paper Series* No. 242. European Central Bank.

Sinn HW (2004). *EU Enlargement, Migration and the New Constitution*. CESIFO Working Paper No. 13677.

Sinn HW (2002). EU Enlargement and the Future of the Welfare State. *Scottish Journal of Political Economy* 49: 104-115.

Sinn HW, Ochel W (2003). Social union, Convergence and migration. *Journal of Common Market Studies* 41: 869-896.

Sinn HW, Werding M (2001). *Immigration Following EU Eastern Enlargement*. CESifo Forum 2, No. 2.

Threlfall M (2003). European Social Integration: Harmonization, Convergence and Single Social Areas. *Journal of European Social Policy* 13(2): 121-139.

Trickey H (2001). Comparing Workfare Programmes – Features and Implications. In Lødemel I, Trickey H, eds. *An offer you can't refuse: Workfare in international perspective*. Bristol, Policy Press.

Wagener HJ (2002). The Welfare State in Transition Economies and Accession to the EU. *West*

European politics 25(2): 152-174.

World Bank (1996). *World Development Report 1996. From Plan to Market*. New York,
Oxford University Press.

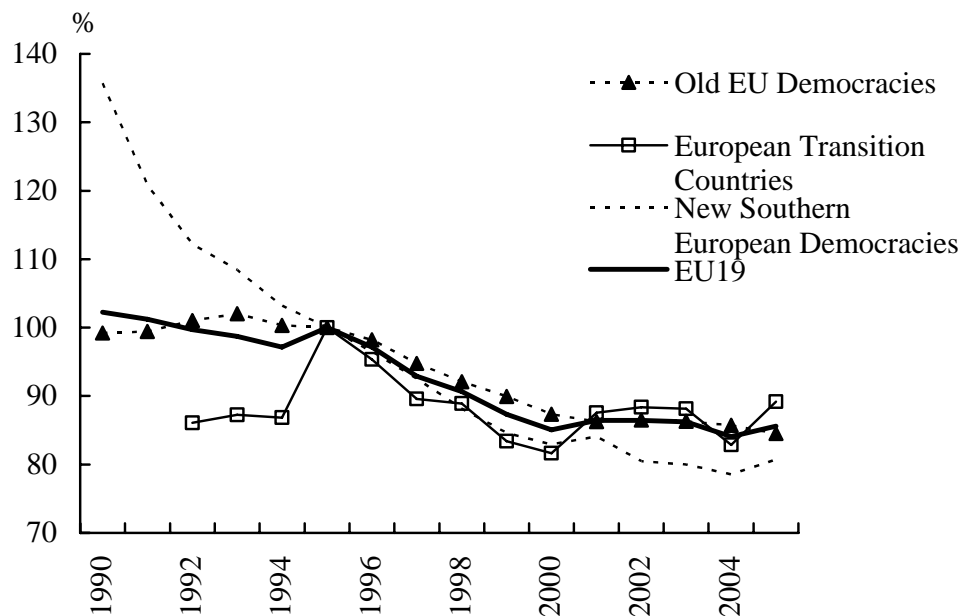
Table 1. Differences in the development of social assistance and unemployment insurance for six European transition countries and two new southern democracies (percentages).

		Estonia	Czech Rep.	Hungary	Poland
Social Assistance	1995	100	100	100	100
	2000	76	86	51	57
	2005	76	81	51	54
Unemp Insurance	1995	100	100	100	100
	2000	99	104	91	73
	2005	122	99	90	74
Diff (Ass – Ins)	2000	-23	-18	-40	-16
	2005	-46	-18	-38	-20
		Portugal	Slovakia	Slovenia	Spain
Social Assistance	1995	100	100	100	100
	2000	99	116	62	90
	2005	101	53	38	86
Unemp Insurance	1995	100	100	100	100
	2000	89	101	112	72
	2005	93	96	112	69
Diff (Ass – Ins)	2000	-10	16	-49	-17
	2005	-8	-43	-73	-17

Note: Percentage increase in benefits, index 1995=100. Differences not exact due to rounding errors.

Source: SaMip.

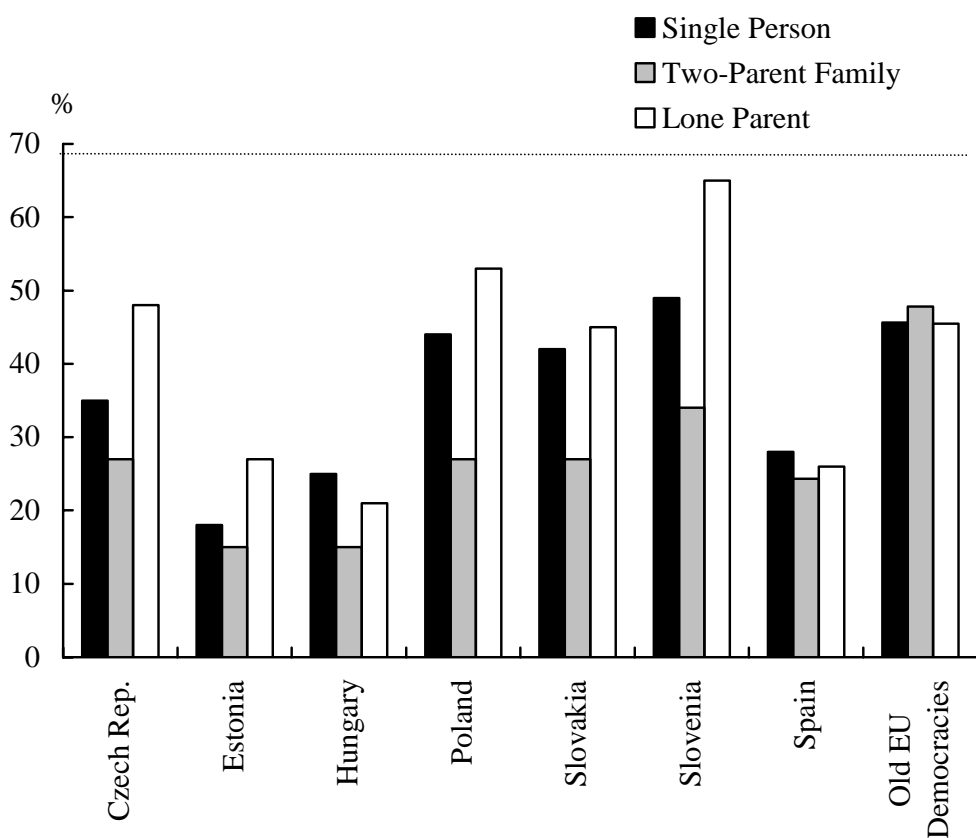
Figure 1. Social assistance indexed for wages in four groups of EU countries: Old EU Democracies, European Transition Countries, New Southern Democracies, and EU19, 1990-2005 (index 1995=100). Figures based on single person type-cases.



Note: Old EU Democracies includes Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Sweden, and the United Kingdom. European Transition Countries includes The Czech Republic (1993-), Estonia (1995-), Hungary (1992-), Poland (1995-), and Slovakia (1993-), Slovenia (1992-). New Southern Democracies includes Portugal and Spain. EU19 includes in all of the above three categories of countries.

Source: SaMip

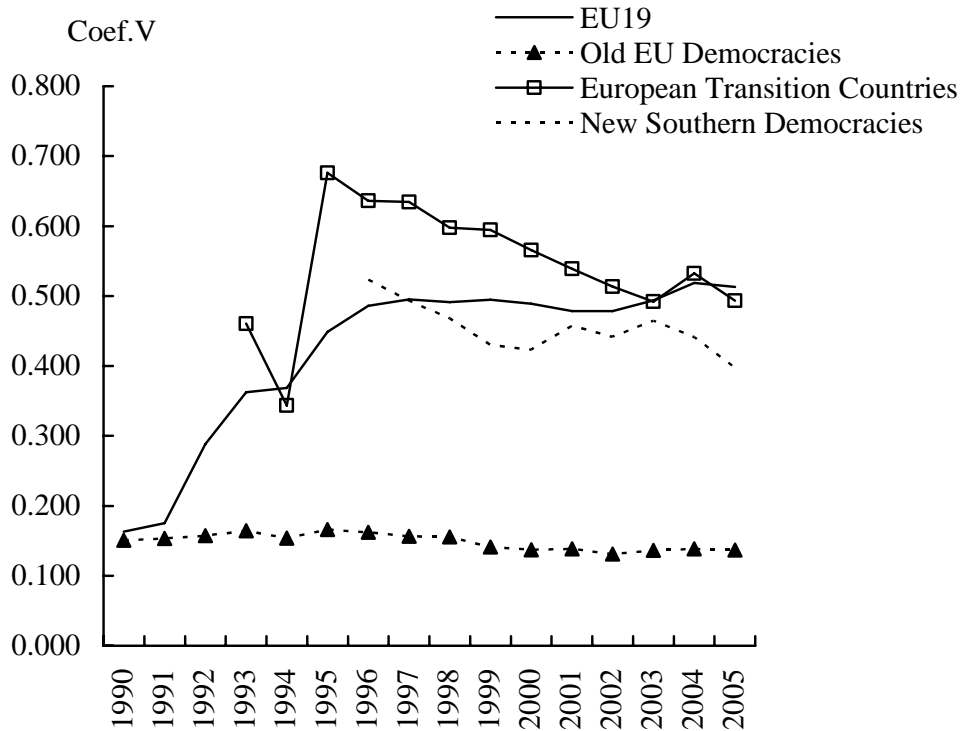
Figure 2. Social assistance adequacy rates in five European Transition Countries, Spain and the Old EU Democracies, around 2000.



Note: Adequacy = (Equivalentized Social Assistance Benefits for Respective Household Type / Equivalentized Disposable Median Income in Total Population) * 100. LIS has no data for Portugal. Old EU Democracies includes Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Sweden, and the United Kingdom

Source: SaMip and LIS.

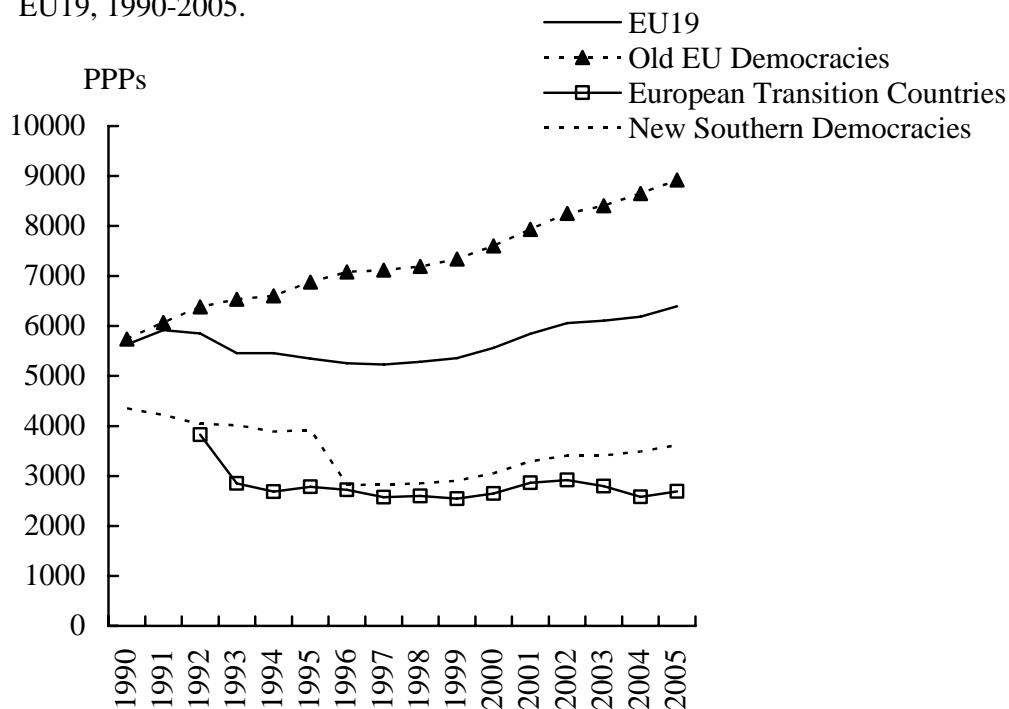
Figure 3. Cross-national variation in social assistance benefit levels in four groups of EU countries; Old EU Democracies, European Transition Countries, New Southern Democracies, and EU19, 1990-2005. Figures based on single person type-cases and standardized by PPPs using US\$.



Note: EU11 includes Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Sweden, and the United Kingdom. European Transition Countries include The Czech Republic (1993-), Estonia (1995-), Hungary (1992-), Poland (1995-), and Slovakia (1993-), Slovenia (1992-). New Southern Democracies include Portugal (1996-) and Spain. Coef.Var = Coefficient of Variation.

Source: SaMip

Figure 4. Average social assistance benefit levels (US\$ PPPs, yearly amounts for a single person type case) in four groups of EU countries; Old EU Democracies, European Transition Countries, New Southern Democracies, and EU19, 1990-2005.



Note: EU11 includes Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Sweden, and the United Kingdom. European Transition Countries include The Czech Republic (1993-), Estonia (1995-), Hungary (1992-), Poland (1995-), and Slovakia (1993-), Slovenia (1992-). New Southern Democracies include Portugal (1996-) and Spain.

Source: SaMip