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The Formation of Minimum Income Protection

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THE FORMATION OF MINIMUM INCOME PROTECTION

*The Institutional Development of Means-tested Benefits in
Different Types of Welfare States, 1960-2000*

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ABSTRACT

The purpose of this study is to examine the institutional development of means-tested benefits over the last four decades in a comparative perspective. The countries included in the study are Canada, Germany, Sweden, the United Kingdom and the United States. Since a main objective of means-tested benefits is to mitigate and alleviate poverty, the comparisons and evaluations presented in the study are based on the adequacy of benefits, that is, the extent to which provisions are provided at levels sufficient to allow recipients to escape poverty. The long time frame of the study also gives an opportunity to relate to the ongoing theoretical discussion about potential differences in the development of means-tested benefits and social insurance entitlements. Here, two questions are addressed: the extent to which the development of means-tested benefits describes a different pattern than social insurance provisions, and the extent to which means-tested benefits are more prone to cutbacks than social insurance entitlements. The empirical analyses combine institutional information on the level of means-tested benefits with micro-level income data from the Luxembourg Income Study. Over the whole period covered, the development of means-tested benefits resembles more than diverges from that observed in the area of social insurance. Furthermore, despite cutbacks in means-tested benefits in recent years, there is no clear evidence that means-tested benefits are more resistant to retrenchment than social insurance provisions. On the contrary, means-tested benefits seem to be more vulnerable to cutbacks, particularly in Germany and Sweden. Although the curtailments in means-tested provisions in recent years have had negative consequences for their capacity to alleviate poverty, the adequacy of benefits has generally been greatest in Sweden and the United Kingdom, followed by Germany, Canada and the United States.

As a result of rising unemployment, demographic changes and political priorities in recent decades, the extent of means-tested benefits has increased in most Western countries (Eardley et al. 1996a). Alongside this development several countries have also experienced widened income dispersions (Smeeding, 1997; Van den Bosch and Marx, 1996; Atkinson, 2000; Gottschalk and Smeeding, 2000; Ritakallio, 2001). Together with the growth in the relative importance of means-tested policies, these trends have brought about an increased interest in issues related to targeting among researchers, not only in countries such as the United Kingdom and the United States where such policies have been a prominent feature of the welfare state throughout the post-war period, but also elsewhere.

Yet, there are hardly any comparative studies that attempt to systematically analyze the institutional development of means-tested benefits over time. Whereas several studies have described and analyzed the development of social insurance rights during the post-war period (see Palme, 1990; Kangas, 1991, 2000; Carroll, 1999; Montanari, 2000; Ferrarini, 2003), most studies on the institutional structure of means-tested arrangements are confined to single cross-sections (see Eardley et al. 1996a; OECD, 1998a, 1998b, 1999; Behrendt, 2002; Bradshaw and Finch, 2002). Consequently, whether this shift in the relative weight of means-tested benefits within the general design of social security systems has involved a strengthening of social protection directed against economic hardship and poverty is not sufficiently investigated. Despite growing concerns in several Western countries, especially in Europe, about the growth of unemployment, economic poverty and social exclusion in recent years (Commission of the European Communities, 1997; Council of the European Union, 2000), there are some indications that minimum income protection policies actually have been weakened (Alber, 1996; Clayton and Pontusson, 1998).

The purpose of this study is to examine the institutional development of means-tested benefits over the last four decades from a comparative perspective. The study is both explorative and analytical in character. The aim is

not only to improve the institutional knowledge of means-tested benefits, but also to relate the development of means-tested benefits to some of the current theoretical discussions and debates about the structuring of social security in comparative social policy research. Since the main objective of means-tested benefits is to mitigate economic hardship and eradicate poverty, particular attention is devoted to the level of benefits.

In the welfare state literature, comparisons and evaluations of countries' social security systems are often based on levels of entitlement. Generally, the level of benefits is assessed by so-called replacement rates, which are calculated by relating the level of statutory entitlements to some measure of income from work. This strategy is most often applied in the area of social insurance (see Korpi, 1989; Palme, 1990; Esping-Andersen, 1990), but has also been used to compare means-tested benefit schemes across countries (see Eardley et al. 1996a; OECD, 1998a, 1998b, 1999; Behrendt, 2002; Bradshaw and Finch, 2002).

The rationale for using replacement rates in comparisons and evaluations of social insurance programs is evident, since one of the main objectives behind these entitlements is to provide income security in times of work incapacity. It is less clear how relevant this strategy is for evaluations of means-tested provisions, which are not necessarily intended to uphold a standard income. Instead they are generally safety nets of last-resort, with the objective to provide a minimum level of subsistence. Contrary to social insurance, eligibility for means-tested benefits is often also determined at the household level. Due to these peculiarities it is more theoretically relevant to analyze the level of means-tested benefits in relation to the distribution of incomes in society. Whereas replacement ratios show to what extent social insurance entitlements provide an income sufficient to mitigate losses in normal earnings, the distance between the level of income provided by means-tested benefits and a certain specified poverty threshold for the entire society shows the extent to which last-resort safety nets provide adequate protection against poverty. One question raised in this study is to what extent means-tested benefits

and minimum income protection policies provide an adequate protection against economic hardship and poverty. The term 'minimum income protection' is here used since the benefit package received by households without work income and who lack entitlement to social insurance benefits in some countries include universal child or family allowances and refundable tax credits, in addition to means- and income-tested provisions.

Questions related to the minimum level of income guaranteed by welfare states serve wider interests than those held by researchers and policymakers, whose main concerns are with targeting and poverty alleviation. Poverty alleviation has always been, and still is, an important policy objective of the industrialized welfare democracies (Ringen, 1987; Goodin et al. 1999). This is partly reflected in that all modern welfare democracies have implemented social policy programs that provide citizens with a minimum income standard when other sources from the state, market or the family, prove insufficient.

Fighting poverty is also important from an equity point of view. From a philosophical perspective it can be argued that evaluations of social policies first and foremost should be based on what they do for the poor (Rawls, 1971). On the basis of these insights, the minimum level of income guaranteed by governments can be seen an indicator of the success or the failure of the welfare state. Hence, the outcome of minimum income protection schemes not only raises questions about the capability of last-resort safety nets to reduce economic hardship and mitigate poverty, but also questions concerning the achievements of the welfare state as a whole. Thus, the intertemporal approach used in this study not only makes it possible to evaluate the extent to which the welfare state fulfilled one of its core objectives during eras of expansion, but also whether this objective is sustained during times of social policy stagnation and decline.

The long time frame of the study also gives an opportunity to relate to the ongoing theoretical discussion about potential differences in the developments of means-tested benefits and other social security programs. Here it is possible to distinguish between two conflicting hypotheses: One stating that

the development of means-tested benefits resembles that of social insurance, and another claiming that the development of means-tested benefits follows a unique pattern. By devoting focus to interdependencies in the components of social security systems, there are strong reasons to assume that the development of means-tested benefits has not followed its own path, but resembles more what can be observed in the area of social insurance. Thus, instead of viewing targeted policies as isolated parts of the welfare state, this perspective emphasizes potential institutional inter-relationships between means-tested policies and wider social security structures.

In this context, Lødemel (1997), for example, shows that the development of social insurance largely explains differences between Norway and Great Britain in the division of cash and care within social assistance programs. Due to the consequences of social policy institutions for cross-class collective action and political mobilization, the development of social insurance has also been related to the minimum level of subsistence guaranteed by governments (Korpi and Palme, 1998). There is also some empirical evidence that generous social insurance entitlements tend to increase the political possibilities to provide high levels of minimum income protection (Nelson, 2003). From this dynamic perspective on the institutional linkages between different social security programs, the developments of means-tested benefits and social insurance provisions are closely intertwined.

In the comparative social policy literature it is possible to find several arguments suggesting the opposite, namely that the development of means-tested benefits should follow its own path. One reason is that means-tested benefits are assumed to be less influenced by party politics than for example social insurance. The underlying argument is that the poor often constitute a small minority, which rarely is well organized and cannot effectively defend its interests (Piven and Cloward, 1971), but also that beneficiaries and financers of means-tested benefits seldom overlap, which makes targeted programs even less likely to enjoin strong governmental interest and support (Le Grand and Winter, 1987; Alber, 1996). Means-tested benefits and social insurance

entitlements are not only assumed to follow different development trajectories during eras of welfare state expansion, but also during times of retrenchment. A widely held view is that the resilience of welfare state programs varies by the degree of targeting, so that means-tested benefits are more prone to cutbacks than non-targeted benefits (see Wilensky, 1975; Rosenberry, 1982; Korpi, 1980a, 1983; Esping-Andersen, 1990; Mishra, 1990; Rothstein, 1994). Recently, the idea of greater vulnerability for means-tested provisions has been challenged. Due to their relatively limited extent in the overall social security system, Pierson (1994) claims that means-tested benefits, not social insurance entitlements, stand better chances of surviving periods of retrenchment. Pierson (1994: 170) writes:

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.

Although Pierson's (1994) study is theoretically innovative and makes an important contribution to the understanding of social policy formation in Western democracies, the empirical analysis is in this respect far from convincing. In fact, the findings reported by Pierson have been claimed to be both arbitrary and "fuzzy", since there is no precise measurement of program retrenchment and no systematic comparisons of the development of different program types (Alber, 1996). A few attempts to defend the conventional wisdom that means-tested benefits are prone to cutbacks have thus also been made (Alber, 1996; Clayton and Pontusson, 1998). Although these studies cast some justified doubt on the resilience and resistance of targeted provisions, comparisons are not made between program types in this context either. Whether means-tested benefits or non-targeted entitlements are most

vulnerable to retrenchment remains an open question. Since the analyses in this study cover different phases of welfare state development, it is not only possible to subject the two general hypothesis discussed above to empirical tests, but also to offer a more precise analysis of the vulnerability of social provisions.

This study comprises five countries that have followed different strategies in the development of social policies: Canada, Germany, Sweden, the United Kingdom and the United States. These five countries can be related to different 'social policy models' (Korpi, 1981), 'poverty regimes' (Leibfried, 1992), 'welfare state regimes' (Esping-Andersen, 1990), 'ideal typical models of social insurance' (Korpi and Palme, 1998) or 'social assistance regimes' (Lødemel and Schulte, 1992; Lødemel, 1997; Gough et al. 1997). Korpi and Palme (1998), for example, classify the three English-speaking countries as belonging to a wider set of welfare states with a basic security model of social insurance. Germany and Sweden, on the other hand, have developed social insurance in line with the state corporatist and encompassing models, respectively. Although there are some important differences between the three English-speaking countries, a general characteristic of the basic security model is that it provides for relatively modest flat-rate benefits. Also in cases where benefits are formally earnings-related, as in Canada and the United States, the income ceiling is often too low or the graduation of benefits by income usually not sufficient to guarantee a high degree of income security in times of work incapacity. Today, two forms of the basic security model exist, wherein eligibility is based on contributions or citizenship. The latter usually have higher levels of coverage. Whereas the United Kingdom and the United States belong to the former category, Canada has elements of citizenship-based benefits in their social insurance system. While contributory basic security programs in many ways originate from reforms similar to those introduced in Britain by Beveridge in the 1940s, the corporatist social insurance model resembles the programs introduced in Germany by Bismarck in the 1880s. Eligibility is in the latter case based on a combination of contributions and

belonging to a specified occupational category, and benefits are clearly earnings-related. The encompassing social insurance model in Sweden combines citizenship-based universal benefits with earnings-related compensation for the economically active population and therefore shares important features with both basic security and corporative programs.

Due to the interdependencies that exist among different types of programs in countries' social security systems, welfare states differ on the internal division between social insurance and means-tested social assistance. According to Lødemel and Schulte (1992), a marked division between social insurance and assistance characterizes Sweden, where generous and nearly universal social insurance entitlements have extensively limited the role of last-resort safety nets to cater only for the needs of marginal groups. In the three English-speaking countries, social assistance tends to be more closely integrated with social insurance, since its role in the entire welfare system is more extensive. The division between social insurance and assistance in Germany falls somewhere in between that of Sweden and the United Kingdom.

The empirical analyses are based on data from two sources: the *Social Citizenship Indicators Program (SCIP)* and the *Luxembourg Income Study (LIS)*. The former database contains empirical indicators on the quality of social insurance entitlements, such as the level of benefits before and after taxes for certain type case families, whereas in the latter database incomes at the household level for a number of countries have been harmonized and made comparable across nations. Since institutional data on the development of means-tested benefits since 1960 does not exist, the SCIP database has been complemented with information on the level of means-tested benefits and minimum income protection. I have here followed the same strategy as in SCIP and assessed the levels of entitlements on the basis of a type case approach. The level of means-tested benefits and minimum income protection has been calculated for three types of households: a single person, a family with two children and a single parent with one child. This data is based on national regulations and is described in more detail in the *Appendix*. In addition expen-

diture data for major means-tested benefits programs has been compiled from national statistical sources.

In their categorization of means-tested benefits, Eardley et al. (1996a) make a distinction between general and categorical programs. General programs deliver benefits to all or nearly all individuals within a certain income or resource group, whereas categorical benefits are awarded to specific categories within this group. Due to their relatively large extent in the system of last-resort safety nets, this study is focused on general means-tested benefits. In Canada, this includes General Assistance in Ontario, which is paid under the Canada Assistance Plan. The programs included in Germany, Sweden and the United Kingdom are *Sozialhilfe*, *Socialbidrag* and Income Support respectively, as well as their predecessor programs. The United States is a special case since the government does not operate a general means-tested benefit program at the federal level. The closest equivalents are programs such as Aid to Families with Dependent Children (AFDC), Temporary Assistance for Needy Families (TANF), and Food Stamps.

As noted above, this study includes two dependent variables: 'general means-tested benefits' and 'minimum income protection'. The latter variable is used in analyses of adequacy, since it refers to the whole benefit package available to low income households. In addition to general means-tested benefits, this benefit package includes child or family allowances, income-tested housing benefits and tax credits, where appropriate.

The study begins with a brief description of the evolution of general means-tested benefits. Thereafter follows an analysis of the long-term development in the level of these benefits for the five countries included in the study. The third section analyzes the adequacy of minimum income protection and the study ends with a concluding discussion.

THE FORMATION OF GENERAL MEANS-TESTED BENEFITS

The development of social policies in the post-war period is often divided into two phases: the Golden Era of welfare state expansion in the 1950s and 1960s, as well as the period of stagnation and retrenchment since the mid-1970s. During the years of economic prosperity following World War II, most countries substantially improved their social security systems (Flora, 1986a, 1986b, 1987). In the area of social insurance, this development is reflected in substantial increases in coverage and levels of benefits (see Montanari, 2001). Several countries also introduced different kinds of child and family benefits (Flora, 1986a, 1986b, 1987; Kamerman and Kahn, 1991; Wennemo, 1994; Ferrarini, 2003). The expansion of social policies was not solely restricted to social insurance and family policies, but reforms were also made in the targeted parts of the social security system. Shortly after the war, most European countries abolished the Poor Laws and replaced them with less repressive targeted systems of social protection (Lødemel and Schulte, 1992). In the five countries included in this study, the emergence of minimum income protection in its modern form – a general safety net for all or nearly all people in need – also took place in this period (Gough and Eardley, 1996).

The Period of Welfare State Progress

The Canada Assistance Plan was launched in 1966 as one of a series of reform measures aimed to eliminate poverty.¹ It consolidated the former categorical means-tested benefit programs, such as Old Age Assistance and Unemployment Assistance, into a single administrative framework. The plan contained several innovations, with the objective to strengthen the right to benefit, raise the level of allowances and expand program coverage (Guest, 1980: 159-160). Some important improvements were that single-parent families, families in receipt of mothers' allowances, and the working poor were made eligible for assistance. The plan also stated that benefits should reflect the budgetary re-

¹ Besides the Canada Assistance Plan, other important social security reforms initiated in the mid-1960s were the introduction of Youth Allowances, the Canada Pension Plan, the Guaranteed Income Supplement and the Medical Care Insurance Plan (Osborne, 1985).

quirements of claimants, for example by being differentiated according to household size, a principle first introduced with the Unemployment Assistance Act in 1956 (Osborne, 1985). Although participation in the plan was optional for the provinces, by the end of 1967 all provinces had made an agreement with the federal government to offer economic assistance in correspondence with the undertakings stipulated by the federal regulations (Moscovitch, 1988).

In 1961, Germany introduced *Sozialhilfe*, which compared to earlier targeted programs strengthened the right to benefit and extended program coverage (Leisering and Leibfried, 1995). Also the level of benefits was increased, since it was established that assistance should cover not only a minimum of physical needs, but also a modicum of social needs (Alber, 1986). A special feature in a comparative perspective is that benefits are provided on the principle of subsidiarity, which means that assistance can only be received when help from the family and other relatives are exhausted. Over the years, however, this principle of subsidiarity has been relaxed, for example by abolishing the obligation to support second-degree relatives (Seeleib-Kaiser, 1995).

The United Kingdom replaced their poor relief regulations with National Assistance already in 1948. Since then, the development of general means-tested benefits has largely been characterized by the struggle to ease the administrative burden caused by the growth in the discretionary system of extra payments or weekly additions to the basic benefits. Due to the problems involved in the administration of the discretionary parts of the system, National Assistance was replaced by Supplementary Benefit in the mid-1960s. Besides modifications in the discretionary parts of the system, giving the program a tighter legal structure, the two benefit schemes do not differ much in content (Walker, 1993). A special feature of the Supplementary Benefit, which also was transferred to its successor Income Support, is that the program excluded families where the breadwinner was in full-time work. Due to the widespread concern about the large number of non-eligible families with incomes below the minimum level provided by the Supplementary Benefit

(Lynes, 1972), and in response to demands for a more costly increase in universal family allowances (Eardley et al. 1996b: 398), the means-tested Family Income Supplement, later replaced by Family Credit, was introduced in 1970.

In the late 1950s, Sweden abolished its former system of poor relief and replaced it with a means-tested benefit commonly known as Social Assistance (*Socialhjälp*). Besides changing the name of the benefit, making it less stigmatizing for the recipient, the new legislation strengthened the right to benefit, for example by abandoning the subsidiarity principle and making it possible to abstain from work in some special cases without losing entitlement to benefit (Holgersson, 1998: 148-149). The legislation made a distinction between able-bodied and non-able-bodied poor. Only the latter had a determinate right to apply for benefits, whereas assistance to those capable of work was left to the discretion of the municipalities. In practice, however, most municipalities provided assistance also to unemployed claimants (Elmér, 1994).

Cash assistance to families with children has been the focal point for debate about poverty in the United States. Due to problems of low and selective coverage and concerns about meager and insufficient benefits paid under the former Mother's pension, Aid to Dependent Children (ADC) was introduced by the federal government in the mid-1930s (Cauthen and Amenta, 1996). Originally, ADC made no provision for assisting parents or other relatives in the households. Consequently, the program initially served as a means-tested child benefit. The caretaker was not made eligible for benefits until 1950. The generosity of the scheme was further improved in the 1960s, when the federal government gradually allowed the states to claim reimbursements for assisting additional adults essential to the child. This process of expansion is reflected in the renaming of the program to Aid to Families with Dependent children (AFDC) in 1962, when also the second parent was allowed assistance. Eligibility for benefit, however, was limited to families whose principal earner had a history of work. Hence, attachment to the labor force was, and is still, one important condition for receiving assistance.

Besides AFDC, the other major federally funded income maintenance program for low-income households in the United States is Food Stamps. Until the early 1970s, Food Stamps served both as a means to increase the purchasing power of eligible low-income households and as a means to increase consumption. Recipients were required to pay an amount equal to the average monthly food expenditure for their income level, and in return they received additional food stamps, which decreased as income increased. As a consequence the very poorest, who typically had trouble in raising money in advance, were in practice excluded from the program (Finegold, 1988). With the abolition of the purchase requirement in the 1970s, Food Stamps became less of a surplus commodity program and more of a social policy measure explicitly designed to alleviate poverty (Handler and Haselfeld, 1991). In addition to AFDC and Food Stamps most states have General Assistance programs that provide cash or in-kind benefits to low-income persons ineligible for federally funded cash assistance. In the early 1990s, for example, only 8 states did not offer such benefits (Eardley et al. 1996b: 421). Although able-bodied adults without children are the ones most often associated with General Assistance, only 15 states in 1996 were in fact providing such benefits to individuals capable of work. Furthermore, these benefits are lower than in comparable federal assistance programs (Gallagher et al. 1999).

The Era of Stagnation and Regress

In a comparative perspective, the oil crises of 1973 and 1979/80, as well as the associated economic downturns in the mid-1970s, marked an end not only to the expansion of the welfare state as a whole, but also to the favorable development of policies explicitly designed to cater for the needs of the poor. Due to economic recessions, most governments tried to hold down costs by redesigning their targeted systems of social protection. Such cost-cutting legislation is particularly evident in the three English-speaking countries.

The most significant rollback in the United Kingdom came with the second Thatcher government, when Income Support replaced Supplementary

Benefit in 1988. Just as the transition from National Assistance to Supplementary Benefit, which had taken place about two decades earlier, the introduction of Income Support was triggered by the administrative problems occurring in the discretionary parts of the system. Since the review team at the time was given a nil-cost remit, the solution was to abolish the weekly additions and single payments altogether and replace them with less flexible special premiums and payments from the so-called Social Fund, respectively.² For many poor households the changes in legislation involved reductions in the standard of living. Furthermore, since the weekly premiums were given a hierarchical structure, providing higher benefit levels to those of retirement age and the disabled than to the unemployed and single parents, the distinction between deserving and undeserving poor (in many countries a distinct feature of the old Poor Relief), was once again introduced in the British system of targeted benefits (Stitt, 1994: 106).

The retrenchment of social security in general and means-tested benefits in particular came to a halt in the United Kingdom, when the Labour Party was elected into office in 1997. Although the Labour Party in the United Kingdom traditionally has resisted means-testing of social security, targeting has actually become one of the hallmarks of 'New' Labour's social security policy. Not only did the government introduce new targeted measures and improve existing ones, but they also increased means-tested benefits far more than other types of provisions (Brewer et al. 2002). Among the most important improvements in benefits are increases in Income Support rates for families with children and for pensioners and the introduction of Working Families Tax Credit (WFTC). The latter program is available to low-income workers in order to offset the worst behavioural effects of means-testing.

The Reagan administration in the United States also introduced fiscal retrenchment to reduce government spending in the 1980s, especially in the

² The Social Fund provides interest-free loans for emergency and intermittent expenses. It also covers certain expenditures related to cold weather and one-off urgent payments for maternity and funeral needs.

area of social policy. Among the programs particularly exposed to curtailments was AFDC, where changes in benefit calculations and eligibility criteria significantly reduced the value and coverage of benefits (Danziger and Gottschalk, 1995). One of the major legislative highlights of the 1960s for low-income families, the Food Stamp Act in 1964, was also subject to retrenchment. One example is that eligibility for stamps was ended for certain groups of citizens, such as postsecondary students and strikers. In the mid-to-late 1980s, regulations for AFDC and Food Stamps were somewhat liberalized, but the economic downturn in the early 1990s largely put reforms in anti-poverty policies aside. The only major program in national anti-poverty policies to be expanded was the Earned Income Tax Credit (Danziger and Gottschalk, 1995). Further changes in national anti-poverty policies in the United States came under the Clinton administration in 1996, when Temporary Assistance for Needy Families (TANF) replaced AFDC. TANF is a combined cash-assistance and work-program with a benefit that is contingent on meeting work or work preparation requirements. Hence, the transition from AFDC to TANF involved a step towards a more work-oriented welfare policy. By changing the federal funding of the program, making it less generous towards the states, the federal government also imposed financial incentives to lower welfare caseloads.

It should be mentioned that the relationship between work and welfare has always been central in anti-poverty policy reforms in the United States. However, the emphasis on work has generally followed a different logic than that of, for example, the Scandinavian countries. Scandinavian welfare states have for long been oriented towards full employment and as a means of fulfilling this objective, governments have placed a strong emphasis on measures aimed at activation, such as labor market training and education (Olsson Hort, 1994; Torfing, 1999). Such policies have generally been lacking in the United States. Instead governments have relied on very low levels of benefit to enforce work incentives (Leibfried, 1992; Furaker, 1997). Insofar as the measures taken to promote activation among welfare clients in the United States

are aimed at increasing the individual's competence and skills, the introduction of TANF can be viewed as a re-orientation of welfare and labor market policies partly towards work principles resembling those embodied in Scandinavian welfare states. With the introduction of TANF, however, most states took clear steps to design their program to promote rapid labor market entry, with less emphasis on skills development and long-term education (Jenson, 2003). Together with the time limit on benefits - families can only receive TANF for five years - some have even argued that the program actually involves less focus on training and human capital than the former AFDC (Bos, 2002; Rodgers, 2000).

In the 1990s, general means-tested benefits underwent major changes also in Canada, first in the early 1990s when the federal government initiated a cap on the cost-sharing under the Canada Assistance Plan in the wealthiest provinces; and second, in the mid-1990s, when the plan was replaced by the Canada Health and Social Transfer. The introduction of the Canada Health and Social Transfer not only restricted the right to claim assistance and reduced payments. Just as for TANF in the United States, the change in legislation also paved the way for 'work for welfare' programs (National Council of Welfare, 1997). This process of making welfare more oriented towards work-related activities is not exceptional to Canada and the United States. Due to constrained abilities and willingness to fund existing welfare systems, most countries in the European Union have tightened the work requirements attached to means-tested benefits in recent years, making it harder for claimants to receive financial support (Hanesch and Balzter, 2001; Hvinden, 2001a; 2001b; Ditch and Roberts, 2002; Kazepov, 2002).

General means-tested benefits in Sweden and Germany have also been subject to changes in recent years. Contrary to the situation in three English-speaking countries, however, Sweden continued the expansion of social security in the 1980s (Palme and Wennemo, 1998). In the area of minimum income protection, one example is the introduction of the Social Service Act in 1982, which increased the coverage of benefits by abolishing the distinction

between deserving and undeserving poor. The Social Service Act also strengthened the right to benefit, since clients' possibilities to make legal appeals were improved (Halleröd, 1991). The right to benefit was further strengthened in 1985 when the Swedish National Board of Health and Welfare (*Socialstyrelsen*) introduced a monetary benefit standard for the Social Welfare Allowance (*Socialbidrag*), which served as a guideline for the norms established by the municipalities. In two judgments in 1993, the Supreme Administrative Court also laid down that this standard should form the basis when the municipality assesses what a reasonable living standard should be for those receiving the Social Welfare Allowance.

The economic crisis in Sweden in the early 1990s, not only marked an end to the expansion of social policies in general, but also the favorable development of general means-tested benefits was to some extent ended. The first signs of retrenchment are found in the area of social insurance and family policies, where benefits were reduced and qualification criteria in some instances became more stringent. In recent years, earnings-related benefits have been adjusted upwards, but replacement rates are generally not as high as before curtailments were introduced in the early 1990s (Palme, 2000). The 1990s in Sweden is often characterized as a period involving stronger demands and worsened conditions for the welfare clientele (SOU, 2001). To some extent this is a result of the struggle to keep those capable of work off the welfare rolls. In the early 1990s, a general tendency is that the conditions attached to receipt of benefit became more rigorous. Several Swedish municipalities, for example, began to reinforce the emphasis on self-support, which involved stronger demands on realization of assets and changes in labor market or work-seeking behavior (Bergmark, 2000). At the national level, the emphasis on work is manifested in the revised Social Service Act of 1998, which made the receipt of benefits for younger people conditional upon engagement in work-related activities.

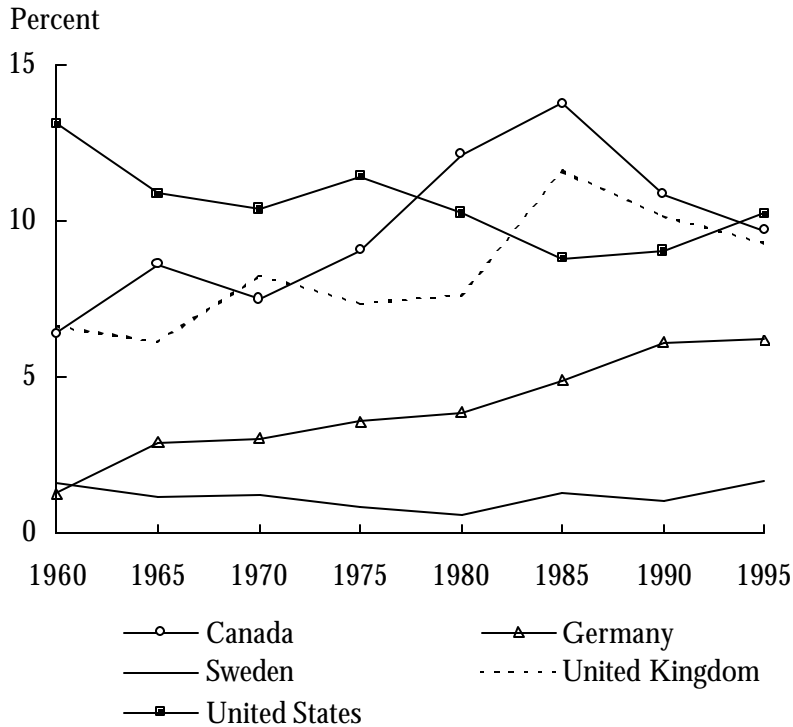
Besides placing stronger demands on the individual in return for receipt of benefit, another tendency in recent years is that benefit levels have

been adjusted downwards. In the early 1990s, for example, several Swedish municipalities began to exclude some of the budgetary items included in the national guideline norms for the Social Welfare Allowance. Although the revised regulations of 1998 strengthened the right to benefit by establishing a nationally uniform benefit standard for the Social Welfare Allowance, also this standard excluded some budgetary items previously included in the recommendations provided by the National Board of Health and Welfare.

Germany also started to adapt the last-resort safety nets to levels of high unemployment in the 1990s. For example, the national government transferred the responsibility for some vulnerable groups, such as immigrants and those in need of social care, from *Sozialhilfe* to federal schemes in order to ease the administrative and financial burden of the municipalities and the states. To increase the incentives to enter paid employment, the federal government also introduced measures to keep benefits below the bottom of the wage-scale, for example by abandoning the criterion of individual need on which the basic scale rates used to be based (Leisering and Leibfried, 1999).

The description above shows that the Golden Years of welfare state development in the 1950s and the 1960s was accompanied by reforms in general means-tested policies, whereas after the mid-1970s this development came to a halt or was even reversed. Despite these similar trends toward expansion and retrenchment, the extent of targeted cash provisions differs markedly among the five countries. *Figure 1* shows expenditures for major means-tested benefit programs as a percentage of total social expenditures in Canada, Germany, Sweden, the United Kingdom and the United States for the years 1960-1995.

Figure 1. *Expenditures for major means-tested benefit programs as a percentage of total social expenditures in Canada, Germany, Sweden, the United Kingdom and the United States, 1960-1995*



Note: Following programs are included in the numerator: Canada - Benefits paid under the Canada Assistance Plan, Guaranteed Income Supplement, Spouse's Allowance, Federal Child Tax Credit, Unemployment Assistance, Old Age Assistance, Blind Person's Allowances, Disabled Persons' Allowances; Germany - *Sozialhilfe*, Aid in Special Circumstances; Sweden - Social Welfare Allowance, Social Assistance Benefit; UK - Income Support, Supplementary Benefit, National Assistance, Family Income Supplement, Family Credit; USA - Food Stamps, General Assistance, Aid to Families with Dependent Children, Aid to Dependent Children, Supplementary Security Income, Earned Income Tax Credit.

Source: Numerator: Canada - Historical Statistics of Canada and Canada Year Book (various years); Germany - *Statistisches Jahrbuch* (various years); Sweden - *Statistisk årsbok* (various years); UK - Annual Abstract of Statistics (various years); USA - Statistical Abstract of the United States (various years). Denominator: Variable SSBEN in the Comparative Welfare States Data Set (available at <http://www.lisproject.org>), Database on 'ILO/EURODATA: The Cost of Social Security (1949-1993)' (available at <http://mzes170.mzes.unimannheim.de/projekte/coss/start.htm>), and ILO's Cost of Social Security 1990-96 (available at <http://www.ilo.org/public/english/protection/socsec/publ/css/cssindex.htm>).

Partly due to differences in the wider social security system, the relative importance of means-tested benefits as a safeguard against economic hardship and poverty has generally been greater in the three English-speaking countries than in Germany and Sweden. Means-tested benefit expenditures in Sweden have fluctuated at around one percent of total social expenditures, while gradually increasing in Germany since the 1970s from about three to six percent of total social expenditures. In contrast, between six and fourteen percent of total social expenditures have each year been devoted to means-tested benefits in Canada, the United Kingdom and the United States. Since means-tested benefit expenditures are affected by several factors, such as developments in other areas of the social security system as well as demographic and labor market factors, the expenditure patterns displayed in Figure 1 should not be interpreted in terms of the quality of arrangements offered to the poor. Consequently, it is also difficult to interpret changes in means-tested benefit expenditures in terms of expansion or retrenchment. One exception is the substantial drop in expenditures in Canada in the early-1990s, which occurred at the same time as the number of beneficiaries increased and benefits in most provinces were substantially cut. Another exception is the slight increase in expenditures in the United States between 1985 and 1995, which is due to the expansion of the Earned Income Tax Credit. It should be noted that this credit only is available to low-income working people, which means that some poor families are not eligible for this benefit. If the Earned Income Tax Credit is excluded, expenditures for means-tested benefits in the United States decrease constantly since 1975.

So far the analysis has been rather general in character, describing the overall structure of benefits and the most important changes taking place over the years. Since the anti-poverty effectiveness of minimum income protection is affected by the level of benefits provided, I will in the next sections move away from general descriptions towards more systematic analyses of benefit generosity. As a first step I will go beyond analyses of social expenditures and

direct a closer focus towards the long-term development in the real value of benefits, and after that move on to analyses of adequacy.

LONG-TERM CHANGES IN THE LEVEL OF BENEFITS

General means-tested benefits are usually based on a combination of a standard benefit adjusted for household size and intended to meet certain basic needs (except housing), supplements or premiums to account for special needs such as disability, and lump-sum payments to meet occasional needs. In addition, governments in Canada, Germany, Sweden and the United Kingdom pay the whole or part of housing costs, either in form of a supplement to the standard benefit or as a separate income-tested housing benefit, or as a combination of both. Since payments to meet special and one-off needs are complex and differ from one country to the other (Ditch, 1995), I will here focus on long-term changes in the value of standard benefit rates. Except for the United Kingdom, benefit rates vary regionally or locally. The figures for Canada and Sweden refer to Ontario and Stockholm, respectively, whereas the figures for Germany correspond to the average level of benefits guaranteed by the federal states. The value of Food Stamps in the United States is set at the national level, while AFDC varies among the states. In this study AFDC reflects the entitlements in Michigan (Wayne County).³

³ In 1992 the standard benefit for singles in Stockholm was 2 percent higher than the recommendations of the National Board of Health and Welfare. The average rate among the Swedish municipalities was 3 percent lower than the national recommendations, whereas the lowest and highest rates were about 16 percent lower and 8 percent higher than the national guidelines (Svensson, 1993). The standard benefit rate for a single employable individual in Ontario in 1992 was 30 percent higher than the average rate of the Canadian provinces. The lowest and highest rates among the provinces were at respectively 50 and 131 percent of this average (National Council of Welfare, 1993). In Germany, the standard benefit rates are defined by the federal states, while the equivalences embodied in the program are set nationally. Despite the absence of a national regulation, the standard benefit rates vary much less than in Canada and Sweden. This reflects in part efforts of coordination among the federal states in Germany and efforts by the courts to assess the adequacy of benefits on basis of principles established in the federal law (Behrendt, 2002: 110). The maximum AFDC entitlement in Michigan for a two-person family was about 15 percent above the average maximum benefit for the states in 1994 (Representatives Committee on Ways and Means, U.S. House of Representatives, 1994).

Although minimum income protection policies sometimes are perceived as the society's officially acceptable minimum income standard, the strategies whereby countries calculate and keep this standard in line with changes in living costs vary (Veit-Wilson, 1998). The standard benefit rates of *Sozialhilfe* in Germany, the Social Welfare Allowance (*Socialbidrag*) in Sweden and the benefits paid under the Canada Assistance Plan are based on so-called pre-added budgets, where the amounts guaranteed are intended to cover certain defined needs, such as food and clothing. Whereas the pre-added budgets in Sweden are based on "objective" measures of minimum needs, the budgets used in Canada and the United States (for AFDC) more strongly reflect political judgments about minimum income standards (Guest, 1980: 157-158; Constance and Michael, 1995).⁴ Also the level of Income Support and its predecessor benefits in the United Kingdom have been informed more by political deliberation than by recognized minimum physical and social needs of different households (Veit-Wilson, 1986, 1992, 1998).⁵

To keep the value of the standard benefit rates up to date, politicians usually rely on three activities: updating, uprating and rebasing (Veit-Wilson, 1998). Updating refers to the process of keeping the real value of benefits constant over time, whereas uprating is a deliberate increase in the purchasing power of benefits. Rebasing occurs when the underlying standard, for example the composition of consumption items, against which benefits are updated or uprated is changed. The five countries in this study update the standard benefit rates on a regular basis, whereas a rebasing or an uprating of benefits occurs more rarely. The procedure used to keep benefits up to date is essential for the capability of minimum income protection to alleviate poverty in

⁴ In Sweden the pre-added budgets are based on advice from the Tax and Consumers Board, whereas Germany prior to 1990 based their pre-added budgets on recommendations from the Association for Public and Private Welfare.

⁵ According to Veit-Wilson (1986, 1992, 1998), the social security benefits in the United Kingdom in the post-war period have ultimately always been based on the suggestions made by Beveridge in the 1940s. In turn, Beveridge based his recommendations on a pre-added budget resembling the primary poverty line established by Rowntree (1901) at the turn of the last century.

the long run. Particularly important is whether benefits are adapted to prices or to the general income level in society, or whether increases in benefits are informed more by political deliberation. In the area of family policy, for example, indexed benefits tend to have the most favorable development over time (Wennemo, 1994). One reason for this may be that governments use non-indexed or poorly indexed benefits as strategies for retrenchment to avoid the risk of electoral retribution (Pierson, 1994). Hence, a preliminary expectation is that the more decisions concerning increases in benefits hinge on political judgments rather than changes in living costs, the less favorable is the development of benefits and the more are the adequacy of minimum income protection at stake.

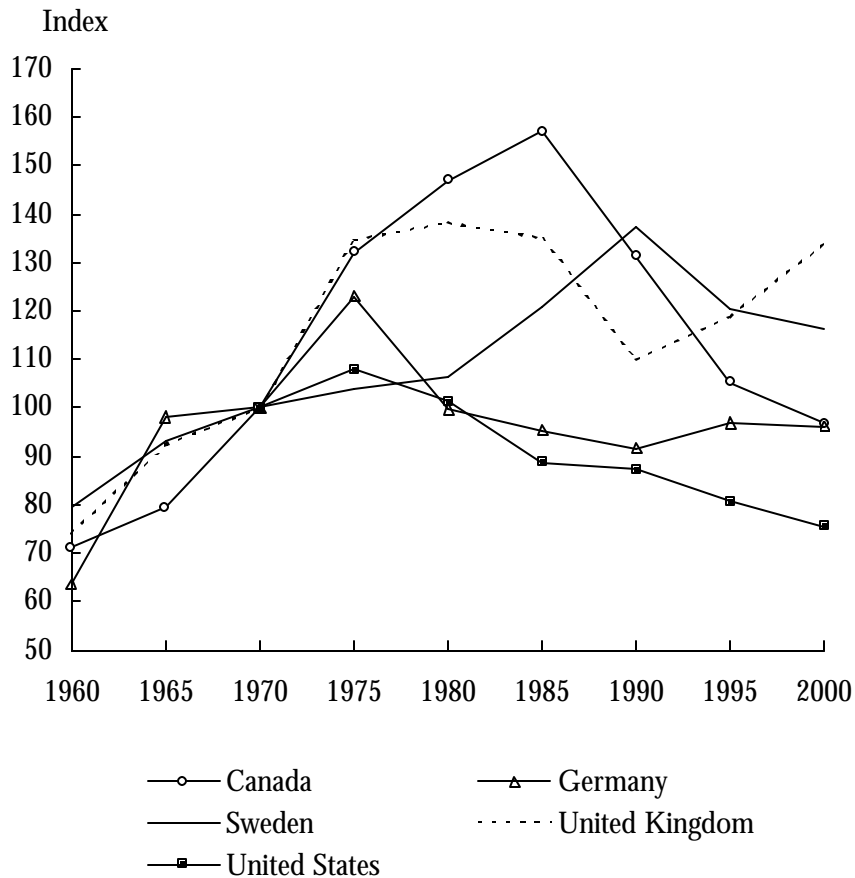
Countries rely on different strategies to keep the real value of benefits constant over time. Germany (until 1990), Sweden (since 1970 in Stockholm) and the United Kingdom have indexed benefits to consumer prices, although there is some room for political deliberation. Between 1990 and 1997, benefits were based on expenditure patterns among low-income groups in Germany. Further changes were introduced in 1998, when Germany began to link benefits to increases in old age pensions, which in turn are based on the development of net wages. The benefits provided under the Canada Assistance Plan are generally not updated in accordance with increases in prices. Instead, cost of living increases in most provinces tend to be the result of political expedience, tradition or lobbying by community groups (National Council of Welfare, 1987). Food stamps in the United States are indexed to the food expenditure of families at the lowest income deciles, whereas there is no rational formula to increase AFDC benefits. The states may therefore raise or lower AFDC benefits at their own discretion. As a result, most states do not update benefits on a regular basis in accordance with movements in prices (Costance and Michael, 1995). In fact, to take into account increases in the cost of living, in the 1970s only one state updated benefits regularly on the basis of repeated standard pricing studies (Urban Systems Research and Engineering, 1980).

Figure 2 shows changes in the real value of general means-tested benefits in Canada, Germany, Sweden, the United Kingdom and the United States for the past 40 years. The figures displayed are averages for three types of households: a single person, a family with two children and a lone parent with one child. The International Labour Organization's (ILO) figures on the development of the consumer price index (all items) have been used to adjust for inflation. The base year is set to 1970. Since the comparison is between changes in the level of benefits, the data presented in *Figure 2* cannot be interpreted in terms of generosity or adequacy of benefits. Whether benefits actually provide an income level sufficient to allow recipients to escape poverty is a question that will be addressed in subsequent sections in this study.

The general tendency is that benefits increased in real terms in the 1960s and during the first half of the 1970s, whereafter they have had a hard time in keeping up with developments in the cost of living. The Swedish experience is an exception to this pattern, in that the real value of benefits continued to rise until the early 1990s. This development can to some extent be explained by the presence of fast-rising housing costs in the consumer price index that serves as the baseline for year-to-year increases in the Social Welfare Allowance (Socialstyrelsen, 1995). During the years of welfare state expansion, the most striking improvement in benefits is found in Canada, where the real value of General Assistance in Ontario increased by about 60 percent between 1970 and 1985. However, it should be noted that compared with Sweden and Germany, for example, the level of benefits in Canada was low to start with. Consequently, one might argue that Canada, mildly speaking, had greater scope left for improvements. Since we here are comparing changes over time, rather than absolute benefit levels, it should be recognized that the figures do not show whether benefits actually provide adequate protection against poverty. Furthermore, since Ontario in the 1980s was one of the most generous provinces in minimum income protection policies (National Council of Welfare, 1987), the level of general means-tested benefits in most other

provinces probably describes a less dramatic development than shown in Figure 2.

Figure 2. *Average changes in the real value of general means-tested benefits for three type case households in Canada, Germany, Sweden, the United Kingdom and the United States, 1960-2000, index (1970=100)*



Note: Average of a single person, a family with two children, and a single parent with one child. Linear extrapolations between years of observation depicted in the figure.

Source: Own calculations from national sources, see *Appendix* for details.

Despite the general trend of decreased benefit levels in recent decades, the purchasing value of benefits is still higher in 2000 than four decades ago in each of the five countries. This development, however, is somewhat a result of the substantial increases in benefits that took place in the 1960s and early 1970s. Since the economic downturns starting in the mid-1970s, the de-

velopment is less promising. In fact, between 1970 and 2000, the real value of benefits fell in three countries, Canada, Germany and the United States. Over this period, the largest deterioration of benefits is found in the United States, where recipients of Food Stamps and AFDC/TANF had their purchasing power lowered by about 25 percent. This decrease in benefit levels is largely a consequence of the development in AFDC, which in Michigan (Wayne County), for example, was not updated at all between 1993 and 2000.

The marked decrease in the real value of benefits in Canada after 1985 reflects the attempts made by the provinces to cope with large budget deficits. In the 1980s and 1990s, most provinces in Canada substantially reduced the amount of benefits received under the Canada Assistance Plan to cut down on social expenditures. In 1995, for example, the provincial conservative government in Ontario cut the basic rates for General Assistance by more than 20 percent for almost all recipients, moving Ontario away from one of the leading provinces in minimum income protection policies (National Council of Welfare, 1997). Notable is also the significant drop in the real value of general means-tested benefits in Britain between 1985 and 1990. This development is partly due to an insufficient updating of benefits in 1986 and 1987, but also a result of the introduction of Income Support in 1988, which subsequently reduced the amount of economic assistance received by a large number of British households. Since the mid-1990s, however, the Income Support rates have increased faster than prices. After the improvements initiated by the Labour Party in 1998, benefits are in real terms provided at approximately the same level as before the curtailments in the second half of the 1980s.

In the 1990s, it is also possible to observe a downward trend in the real value of the Social Welfare Allowance in Sweden. The significant drop in the real value of benefits in Sweden between 1990 and 1995 is in part due to a deliberate attempt by the municipality of Stockholm to cut social expenditures. Due to constrained public finances, the municipality of Stockholm, for example, reduced the pre-added budgets for food in 1992. Whereas this change is an example of downrating, the decrease between 1995 and 2000 is

mostly due to an insufficient updating of benefits in 1996 and 1997. Although the data for Sweden in Figure 2 refers to Stockholm, it should be noted that most Swedish municipalities suspended a full indexation of benefits due to constrained public finances in the 1990s (OECD, 1998a). Further changes in the standard benefit rates for the Social Welfare Allowance were introduced in 1998 when the Swedish municipalities adapted their local norms to the nationally uniform scale rates introduced the same year. In practice, this took the form of excluding several items previously included in the pre-added budgets for the standard benefits. However, since the revised regulations stipulate that assistance to cover these excluded budgetary items is to be provided after an individual needs-test, it is not certain that this rebasing of benefits actually has worsened the economic situation of welfare recipients. Since the individual also has a legal right to appeal against decisions concerning these excluded budgetary items, I have in this study decided to include them as part of the pre-added budgets for the Social Welfare Allowance.⁶

The development of general means-tested benefits in Germany since 1980 is not as dramatic as in the other countries. There is a slight but steady decrease in the level of benefits between 1980 and 1990, which to some extent is due to the failure to adjust benefits for inflation in the early 1980s, but also to an actual downrating of benefits in 1985. With the introduction of new principles in standard benefit calculations, benefits were further curtailed in 1990 (Alber, 1996). The next five years are characterized by slight increases in benefits, whereas there are signs of stagnation in the most recent years.

Overall, the data presented in Figure 2 reveal both similarities and differences between countries. In all countries, the increase in benefits during the golden years of welfare state development was followed by curtailments in the 1980s or 1990s. Since the clearest signs of retrenchment in recent years

⁶ An exclusion of these budgetary items from the pre-added budgets for the Social Welfare Allowance in Sweden does not alter the main patterns described in the empirical sections of this paper, although the generosity of general means-tested benefits in Sweden decreases slightly.

are found in Canada and the United States, the results suggest that means-tested benefits are more vulnerable to cutbacks when they are kept up to date by political deliberation rather than by regular indexation. Hence, the data presented above give some support to the idea that countries use non- or poorly indexed benefits as strategies for retrenchment.

To what extent do the changes in the level of general means-tested benefits described above resemble or diverge from that of social insurance? *Figure 3* provides a preliminary answer to this question. The figure shows changes in the real value of general means-tested benefits and net social insurance benefits for a single person in Canada, Germany, Sweden, the United Kingdom and the United States for the years 1960-1995.⁷ Social insurance includes old-age pension benefits, unemployment compensation, sickness cash benefits and work accident compensation. Only average values for the five countries are shown in the figure.⁸ Due to differences within countries and between programs, the figures should be interpreted with caution.

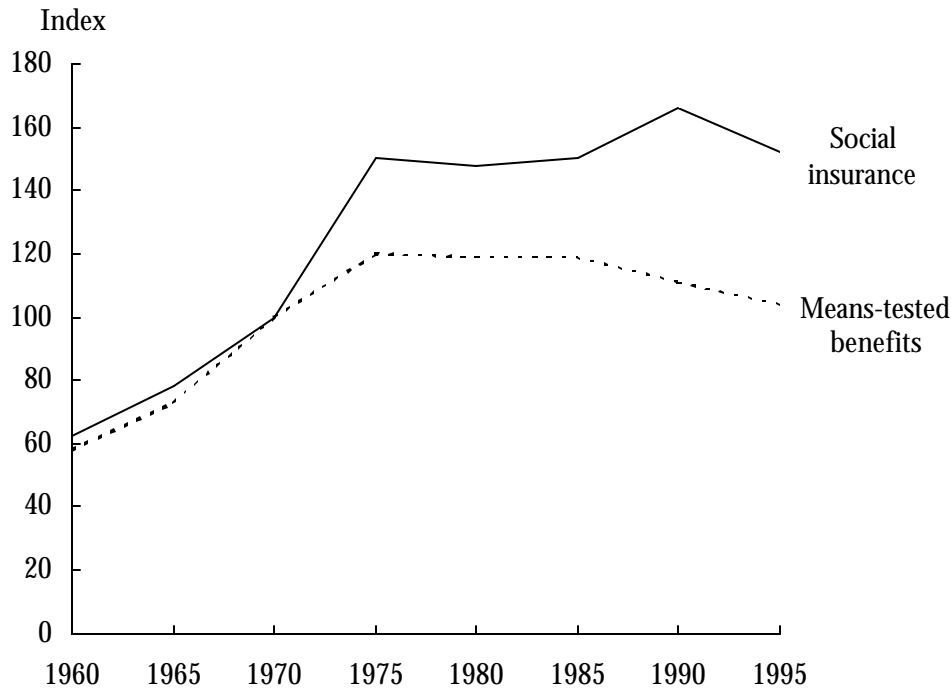
There are some striking similarities across the two broad program areas. The period 1960-1975 is characterized by improvements in both social insurance and means-tested benefits, whereas the next ten years largely can be described as a period of stagnation. Both program types have also suffered from retrenchment in the most recent years. Although these results support the idea suggesting that the developments of means-tested benefits and social insurance are closely intertwined, there are also some differences between the two programs, in particular between 1970-1975 and 1985-1990. In the earlier period, the level of social insurance evidently increased faster than means-tested benefits. In the later period the developments of means-tested benefits

⁷ Data for social insurance in 2000 is not yet available.

⁸ The duration in receipt of benefit is set to 12 months for means-tested benefits, and old age pension benefits are analogous calculated for a year's length of time. For the other social insurance schemes, the level of entitlement is the average of the benefit received during two periods of duration: one week and 26 weeks. In the latter case, it is assumed that the type case household also has work income during 6 months. Social insurance and work income is shown net of taxes. Social insurance entitlements reflect those provided at the earnings level of an average production worker's wage.

and social insurance provisions went in opposite directions. Whereas the level of social insurance benefits increased in real terms, means-tested benefits started to get eroded by inflation.

Figure 3. *Changes in the real value of general means-tested benefits and social insurance provisions in Canada, Germany, Sweden, the United Kingdom and the United States, 1960-1995 (average values for a single person, index 1970=100)*



Note: Social insurance includes old age pension benefits, sickness cash benefits, work accident compensation and unemployment compensation. Data for social insurance in 2000 is not yet available.

Source: For means-tested benefits see *Appendix*. Data on social insurance is from SCIP.

Due to substantial differences between countries it is difficult to give a comprehensive explanation for these divergent developments. Considering the macroeconomic situation during the two periods referred to above, it is nevertheless possible to suggest a preliminary and tentative explanation. Whereas the years 1970 to 1975 are characterized by high inflation, the late 1980s was in several countries a period distinguished by high economic

growth. This suggests that means-tested benefits may have a less favorable development than social insurance in presence of high inflation and significant wage increases.

In terms of the vulnerability of benefits for retrenchment, the results presented in Figure 3 seem to support the traditional view that means-tested benefits are more prone to cutbacks and erosions than social insurance. For example, over the period 1975 and 1995, the real value of means-tested benefits describes a decline, whereas the level of social insurance is sustained or even shows a slight increase. Since there are substantial differences between welfare states and significant variations between social insurance programs within countries, it is hard to make any stronger claims without more detailed exploration of the data. In the next section, I will therefore move away from general descriptions towards more systematic cross-national analyses of the vulnerability of social provisions.

THE VULNERABILITY OF MEANS-TESTED BENEFITS

The stagnation and retrenchment of social policies in recent decades have contributed to a continued discussion about the vulnerability and resilience of income maintenance programs. As noted above, the latest claim in this debate is that means-tested benefits have better chances than non-targeted policies to survive periods of cutbacks and welfare state decline. In his comparison of social policies and services in Britain and the United States in the 1980s and early 1990s, Pierson (1994: 104) writes, 'If the biggest programmatic losers in the 1980s were often universal programs, the biggest winners were in fact targeted ones'.

According to Pierson, one reason for the resilience of means-tested programs is that they generally make up only a small proportion of total social expenditures.⁹ Hence, if cutbacks are needed for budgetary reasons, govern-

⁹ Another reason put forth by Pierson is that means-tested benefits may generate necessary political mobilization to obstruct curtailments if broader segments of the population recognize claimants of such benefits to be experiencing more severe economic hardships than

ments are more likely to choose programs where legislative changes may generate large savings. Although the logic embraced by this economic argument is intuitively reasonable, Pierson seems to neglect that it is often local authorities, which either in full or partly, finance means-tested benefits. For the municipalities, federal states or provinces, governmental expenditures on such programs may be substantial, although they amount only to a minor part of a country's total social benefit expenditures. For example, due to mass unemployment and increases in the social assistance caseload in Sweden in the early 1990s, some municipalities became more prone to condition receipt of the Social Welfare Allowance with engagement in work-related activities. One of the major objectives behind these activities was to cut down on expenditures (Ferrarini and Nelson, 2002a). Although these changes need not necessarily affect the level of benefits guaranteed, there are also examples of situations where the rates of benefits have been cut with the explicit aim of restoring finances. Examples are the cuts in benefits paid under the Canada Assistance Plan in the early 1990s (National Council of Welfare, 1997) and the suspension of full indexation to prices of the Swedish Social Welfare Allowance in the mid-1990s (OECD, 1998a: 202).

The data presented in *Table 1* provides additional background to the discussion about the vulnerability of social provisions. It shows how the real value of general means-tested benefits, net unemployment compensation, and net sickness cash benefits has changed over the last decades.¹⁰ The last four columns show how the development of general means-tested benefits differs from that of social insurance. Positive values indicate that the real value of

others. In such instances, the broad majority may perceive cuts in selective policies as unfair to those who already are most disadvantaged, a political cost which most governments are assumed not likely to be willing to pay for.

¹⁰ For each social insurance program the net disposable income is an additive index of a single person and a one-earner family with two children receiving benefits for two periods of duration: one week and 26 weeks in receipt of benefit. The head of household is assumed to earn an average production worker's wage when not dependent on benefits. The level of general means-tested benefits is the average of a single person and a family with two children receiving benefits for 12 months.

means-tested benefits has increased faster than those of a given social insurance program, whereas negative values suggest the opposite.

Table 1. *Development in the real value of general means tested benefits, unemployment compensation and sickness cash benefits in Canada, Germany, Sweden, the United Kingdom and the United States, 1980-2000 (index 1975=100, 1980=100)*

Country	Year	Mt.ben		Unemp		Sick		Diff. Mt.-Unemp		Diff. Mt.-Sick	
Can	1975	100		100		100					
	1980	156	100	91	100	96	100	65		60	
	1985	127	81	96	106	98	102	31	-25	29	-21
	1990	106	68	95	105	95	100	11	-37	11	-32
	1995	85	54	90	99	93	97	-5	-45	-8	-43
	2000	78	50	89	98	97	102	-11	-48	-19	-52
Ger	1975	100		100		100					
	1980	81	100	89	100	89	100	-8		-8	
	1985	77	95	77	86	83	94	0	9	-6	1
	1990	75	92	79	88	84	95	-4	4	-9	-3
	1995	79	97	83	92	95	107	-4	5	-16	-10
	2000	78	96	86	96	99	112	-8	0	-21	-16
Swe	1975	100		100		100					
	1980	102	100	93	100	96	100	9		6	
	1985	116	114	95	101	92	96	21	13	24	18
	1990	132	129	109	116	101	106	23	13	31	23
	1995	115	113	105	113	94	98	10	0	21	15
	2000	112	109	107	115	112	117	5	-6	0	-8
UK	1975	100		100		100					
	1980	102	100	88	100	88	100	14		14	
	1985	100	98	69	79	83	94	31	19	17	4
	1990	81	80	82	92	84	95	-1	-13	-3	-15
	1995	88	86	86	97	81	92	2	-11	7	-6
	2000	99	97	90	102	96	109	9	-5	3	-12
USA	1975	100		100							
	1980	102	100	91	100			11			
	1985	100	98	90	99			10	-1		
	1990	81	80	97	107			-16	-27		
	1995	88	86	94	103			-6	-17		
	2000	99	97	100	110			-1	-13		

Note: Since the United States does not have a national legislated sickness insurance program, relevant columns are left blank.

Source: Data on social insurance is from SCIP, whereas data on means-tested benefits is based on national social security regulations, for the latter see *Appendix* for details.

If Pierson's reasoning is correct, we should find more positive than negative values, since the relatively greater comprehensiveness or universality of unemployment compensation and sickness cash benefits make these programs more vulnerable to cutbacks than targeted provisions. At least when it comes to the level of benefits, however, the empirical evidence regarding this claim is mixed at best. Irrespective of whether changes in the real value of benefits are measured from 1975 or 1980, it is possible to find several instances when means-tested benefits were the biggest programmatic losers.

The vulnerability of means-tested benefits is particularly evident if focus is on developments since 1980, which also is the starting year for the empirical analyses offered by Pierson (1994). Since 1980, means-tested benefits generally seem to have had a less favorable development than social insurance, something that goes against the claims made by Pierson. The most notable exceptions to this pattern are found in Germany and Sweden. Between 1980 and 1995, for example, means-tested benefits in Sweden increased faster than both unemployment compensation and sick pay. The same also holds in relation to unemployment insurance in Germany. Thus, since 1980 social insurance to some extent suffered more severe cutbacks than means-tested benefits in Sweden and Germany. In the two countries investigated by Pierson, the United Kingdom and the United States, as well as in Canada, means-tested benefits seem to have been more prone to retrenchment than social insurance provisions.

From an institutional perspective the differences in the vulnerability of social provisions described above are interesting. If we recapitulate the different models of social insurance elaborated by Korpi and Palme (1998), the results indicate that the vulnerability of means-tested benefits varies with the type of social insurance system implemented in each country. Relative to social insurance provisions, means-tested benefits tend to be more prone to cutbacks in countries with basic security insurance programs, than in countries with encompassing or corporatist insurances. Although it is not possible

from the analyses conducted in this study to put forth an elaborate explanation for this finding, the results nevertheless support the idea that the developments of social insurance and means-tested benefits are closely intertwined. In this particular case, a tentative explanation for the patterns described above is that generous and comprehensive social insurance systems generate broader political support than less extensive programs, something that not only has the potential to act as a barrier against welfare backlash in general, but also makes means-tested policies more resistant to cutbacks. Although this explanation emphasizes potential institutional interplays between different types of social security programs, also other factors are relevant for the development of means-tested benefits. One such factor is most likely partisan politics. This is, for example, illustrated by the British case in the late 1990s, when the Labour Party intentionally and actively came to rely increasingly on means-tested benefits (Brewer et al. 2002).

ADEQUACY OF MINIMUM INCOME PROTECTION

Although most citizens suffering from income shortfalls due to work incapacity potentially qualify for social insurance provisions, means-tested benefits are still in most welfare states the main income source for a substantial number of low-income households. Consequently, if the capacity of this last-resort safety net to provide a decent minimum standard of living is circumscribed by inadequate benefits, policymakers may find it hard to eradicate poverty. From this perspective, the general downward trend in the generosity of means-tested benefits in recent decades is worrying. In this section, I will therefore devote attention to the adequacy of benefits, that is, the extent to which benefits are provided at a level sufficient to allow beneficiaries to escape poverty.

As stated above, people dependent on general means-tested benefits often receive other forms of income support, such as child allowances, refundable tax credits and housing allowances. To offer a comprehensive analysis of the adequacy of last-resort safety nets, we must therefore consider the whole minimum benefit package received by such households, here referred

to as ‘minimum income protection’.¹¹ *Figure 4* depicts the relationship between the level of minimum income protection and the relative poverty line at selected years between 1967 and 2000 in Canada, Germany, Sweden, the United Kingdom and the United States. The level of minimum income protection is shown as a proportion of the median equivalized disposable income for the total population in each country and refers to yearly incomes.¹² The figures displayed are the average level of minimum income protection for three type case households: a single person, a two-parent family with two children and a single parent with one child.

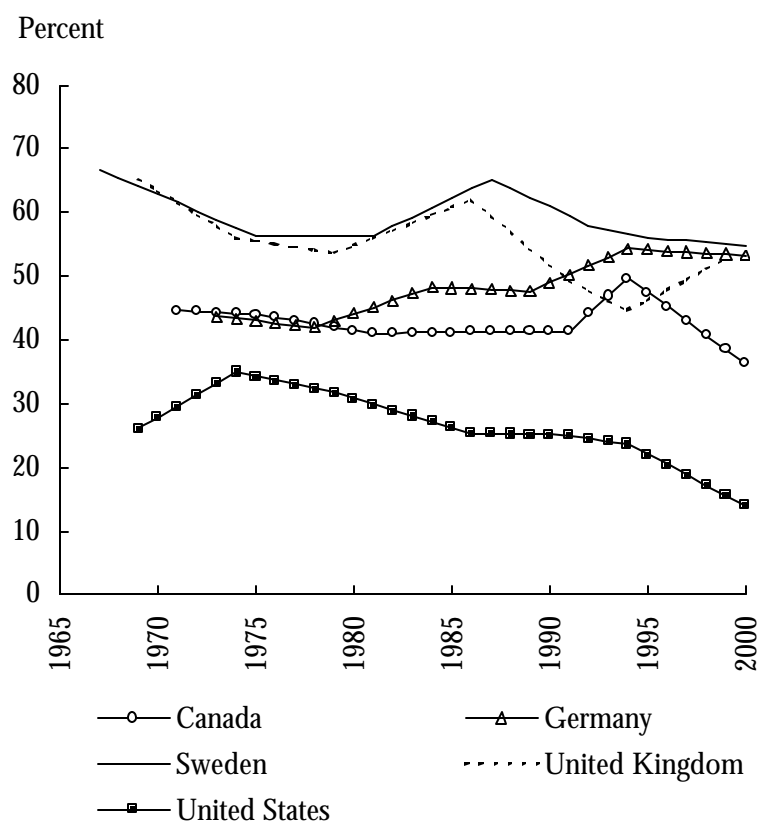
It should be noted that the adequacy of minimum income protection may not only be caused by changes in the level of social entitlements, but also by changes in the overall income distribution.¹³ Although minimum income protection policies are designed to mitigate economic hardship and alleviate poverty, their capacity to do so is often circumscribed by inadequate benefits. In fact, if poverty is defined as being below 50 percent of the equivalized disposable median income, Sweden is the only country where minimum income protection has provided an adequate protection against poverty during the whole time period considered, with levels above this threshold. The United Kingdom comes close to fulfilling this objective, since the level of minimum income protection was below the 50 percent poverty threshold only in the mid-1990s. At the other extreme we find Canada and the United States, with benefit levels consistently below this income poverty line.

¹¹ Besides different kinds of means- and income-tested benefits, minimum income protection in Germany, Sweden and the United Kingdom also includes universal child benefits. Here, it should be noted that the full amount of these benefits are taken into account in the determination of the level of general means-tested benefits. As long as child benefits are netted off against the standard rates of general means-tested benefits, they do not affect the level of minimum income protection guaranteed.

¹² The scale of equivalence used in this study has been suggested by the OECD. It gives a weight of 1 to the first adult, 0.7 to each subsequent adult, and 0.5 to each child.

¹³ Besides benefit levels it should in this context be noted that also institutional aspects related to the coverage and take-up of benefits are important for the effectiveness of minimum income protection to reduce poverty (Behrendt, 2002).

Figure 4 *Adequacy of minimum income protection in Canada, Germany, Sweden, the United Kingdom and the United States, 1965-2000 (level of minimum income protection as a percentage of the equivalised median disposable income for the total population, averages of three household types: a single person, a family with two children, and a lone parent with one child)*



Note: Years of observation: Canada (1971, 1975, 1981, 1987, 1991, 1994, 2000), Germany (1973, 1978, 1984, 1989, 1994, 2000), Sweden (1967, 1975, 1981, 1987, 1992, 1995, 2000), United Kingdom (1969, 1974, 1979, 1986, 1991, 1994, 1999), United States (1969, 1974, 1979, 1986, 1991, 1994, 2000), linear extrapolations between observations. The estimates for the United Kingdom in 1986 should be interpreted with caution, since major differences exist between the micro-level income data for this year and earlier waves.

Source: Own calculations based on national regulations and LIS, see *Appendix* for details. Micro-level income data for Canada (2000) is from the original Canadian Survey of Labor and Income Dynamics (SLID).

Despite the fact that adequacy seems to decline in all countries except Germany over the whole period covered, there are no clear overall patterns of either expansion or retrenchment. Rather, the adequacy of minimum income protection has developed quite differently in the five countries. The adequacy

of minimum income protection in Canada was rather stable in the 1970s and 1980s, guaranteeing citizens an income level at around 40 percent of median income. The level of entitlements was somewhat improved in the mid-1990s, but cuts in benefits in subsequent years significantly worsened the relative economic situation of low-income households receiving typical minimum benefits. By 2000, the adequacy of minimum income protection had reached its lowest point. The improvement in adequacy in the mid-1990s is somewhat surprising, since it occurred at the same time as substantial cuts were made in the level of general means-tested benefits. As noted above, however, the cuts in the standard benefit rates of General Assistance in Ontario took place in 1995. Since the income data for Canada in the mid-1990s is for 1994, the consequences of this downrating of benefits do not show up in Figure 4 until the income data for 2000 is used. The increase in adequacy by 1994 is mostly due to the phase of progressive targeting in the area of family policies that began a decade earlier and culminated in 1993 with the introduction of a single income-tested child tax benefit. Nevertheless, these changes in social provision were not enough to counteract the negative consequences of the cuts in General Assistance in 1995, and by 2000 minimum income protection in Canada was far from providing adequate protection against poverty.

The adequacy of minimum income protection in Germany has been rather stable over the years. Although benefits were lower than half the median income in the 1970s and 1980s, there have been slight but steady improvements in benefits over the decades. By the mid-1990s, the level of minimum income protection in Germany actually climbed above 50 percent of median income. In the United Kingdom, minimum income protection provided an effective protection against poverty until the early 1990s. The significant increase in adequacy in Britain in the mid-1980s should be interpreted with caution. Since the Income Support rates actually describe a decrease in real terms between 1980 and 1990, it is doubtful whether the increase in adequacy in 1986 is due to institutional changes. Rather, it is most likely an artifact created by major differences in the 1979 and 1986 micro-level

income surveys for the United Kingdom.¹⁴ Nevertheless, the cuts in benefits after 1985 and the introduction of income support in 1988 impaired the adequacy of minimum income protection, and in the first half of the 1990s the level of minimum income protection was no longer sufficient to alleviate poverty. This downward trend was reversed in the mid-1990s. One year after the reforms introduced by the Labour Party in 1998, minimum income protection once again guaranteed an income level slightly above 50 percent of median income. However, the adequacy of benefits has not been restored to the levels observed in the mid-1980s, before curtailments took place.

Although minimum income protection in Sweden provides a comparatively generous income standard, there have been some fluctuations in benefit levels over the years. The most worrying result from the perspective of poverty alleviation is the decrease in adequacy in recent years, although benefits on average still are above the 50 percent poverty threshold at the end of the period. Finally, minimum income protection in the United States is far from providing adequate protection against poverty, and has so been during the whole period considered. Even though benefits were already meager at the time of the 'War on Poverty' and the 'Great Society' in the 1960s, the income level provided by minimum income protection has even decreased constantly since the mid-1970s, from a peak at 35 percent of median income in 1974 to about 15 percent in 2000. As will be shown in the following analysis, however, the benefit levels for the United States depicted in Figure 4 are biased downwards due to the extremely low level of economic protection given to single persons.

In sum, Figure 4 shows that the adequacy of minimum income protection varies substantially across countries. The economic living standard

¹⁴ A major difference between the 1979 and 1986 micro-level income data for the United Kingdom is that contributions made to private and occupational social provisions are deducted from disposable income in the latter dataset (Whiteford, 1994). In effect this lowers the median income in 1986, as compared to estimates on earlier waves. Thus, the adequacy of minimum income protection in 1986 for the United Kingdom is biased upwards compared to the estimates for earlier years in the United Kingdom.

provided by such benefits has generally been highest in Sweden and lowest in the United States. Before the economic crisis of the early 1990s, the United Kingdom had a more generous system of minimum income protection than both Germany and Canada, whereafter the German system tended to provide more adequate payments. In the most recent years, the adequacy of minimum income protection increased only in the United Kingdom. Together with the curtailments and stagnation taking place in Germany and Sweden, the level of benefits in these three countries is almost equally adequate at the end of the observation period.

The curtailments in the level of means-tested benefits in recent years not only raise concerns about the extent to which minimum income protection policies are capable of providing an effective protection against poverty. Cutbacks in targeted provisions are also worrying from a gender perspective. In the welfare state and gender debate it is sometimes argued that the two tiers of the social security system, that is social insurance and targeted means-tested benefits, are structured by gender. Due to differences in paid work, men are more likely to be eligible for social insurance benefits, while women are left with less generous means- or income-tested policies (Pateman, 1988; Lewis, 1992).¹⁵ Reduced benefits in the area of means-tested state provisions may therefore be followed by increased income inequalities between the sexes, something that contributes to the feminization of poverty that has been observed in several welfare states, in particular in the United States (see Pearce, 1978; Folbre, 1985; Goldberg and Kremen, 1990).

Reflecting different priorities among governments, the level of minimum income protection often varies across households. As far as differences in the adequacy of benefits are concerned, the five countries describe

¹⁵ Since social policy institutions regulate the sexual division of paid and unpaid work, women's integration into the labor force and dependency on means-tested policies varies among welfare states (O'Connor, 1993, 1996; Orloff, 1993; Sainsbury, 1993, 1994). For example, the Scandinavian welfare states with dual earner models of family policy in general have a more gender-equal distribution of paid work and gender-equal access to cash state provisions (Korpi, 2000; Montanari, 2000).

different patterns in this respect. *Table 2* depicts the adequacy of minimum income protection at selected years for three types of households during the last four decades.

Table 2. *Adequacy of minimum income protection for different family types in Germany, Canada, Sweden, the United Kingdom and the United States at selected years (level of minimum income protection as a percentage of the equivalized disposable median income for the total population)*

Country/Year	Single	Family type Two-parent family	Single parent
Canada			
1971	44.0	39.4	51.0
1975	45.1	38.4	48.7
1981	42.6	33.6	45.7
1987	42.1	35.4	46.5
1991	39.4	36.9	48.4
1994	45.9	42.8	60.3
2000	31.7	33.5	45.6
Germany			
1973	45.6	42.0	43.4
1978	45.8	39.1	41.1
1984	49.6	46.0	49.4
1989	50.7	43.2	49.0
1994	55.7	42.0	59.3
2000	54.9	46.7	58.2
Sweden			
1967	69.1	61.3	70.0
1975	57.7	53.1	58.8
1981	57.9	52.7	58.5
1987	65.9	60.5	69.3
1992	60.6	53.0	60.2
1995	63.7	55.0	64.3
2000	56.4	60.1	58.1
United Kingdom			
1969	74.9	55.9	65.2
1974	65.8	46.7	55.5
1979	63.1	45.1	52.6
1986	71.0	52.3	62.8

(Table 2 continued on next page)

(Table 2 continued)

1991	56.0	41.6	49.5
1995	51.4	37.9	45.1
1999	57.2	43.7	57.1
United States			
1969	8.7	33.5	36.0
1974	12.0	43.7	48.9
1979	10.4	39.2	46.0
1986	9.3	31.0	36.3
1991	9.9	29.0	36.3
1994	9.7	28.0	32.9
2000	6.2	16.5	19.2

Source: Own calculations based on national regulations and LIS, see *Appendix* for details. Micro-level income data for Canada (2000) is from the original Canadian Survey of Labor and Income Dynamics (SLID) provided by Statistics Canada.

Generally, the lone parent type case household has been provided an equal or better protection against poverty than the single person household in Canada, Sweden and the United States. In both the United Kingdom and Germany, single persons generally have received most generous benefits. It should be noted that this pattern changes in Germany in the mid-1990s, when the lone parent family starts to receive the most generous protection. Notably, the pattern in the United Kingdom also changes somewhat and at the turn of this century there are hardly any differences in adequacy between singles and single parents in Britain.

The extremely low level of benefits provided to single persons in the United States is due to the fact that these households do not qualify for the explicitly family oriented AFDC or TANF. Furthermore, since the type case households in Table 2 are assumed to lack work income, they are not entitled to the income-tested Earned Income Tax Credit. For the single-person type case household in the United States, the only income source taken into consideration here is therefore Food Stamps, which are provided at a money-equivalent level far below any poverty threshold commonly used in comparative research.

So far the analyses have concentrated on annual incomes. Although the risk of being poor increases with the duration in receipt of benefits and despite the fact that long-term dependency on means-tested benefits is of great concern in most countries, a significant number of low-income households only receive minimum income benefits for shorter time spans. An interesting question therefore concerns the capacity of minimum income protection to prevent poverty when dependency on benefits is less than one year in length.

Table 3 shows the number of weeks each of the three type case households can be dependent on minimum income protection before becoming relatively poor at various poverty thresholds in Canada, Germany, Sweden, the United Kingdom and the United States in 2000. When the type case households are not receiving general means-tested benefits, their disposable income is assumed to consist of the net wage of an average production worker plus any income maintenance or tax benefits the household would be entitled to, such as child benefits, income-tested housing allowances and different types of tax credits.

The lone parent family in Germany, Sweden and the United Kingdom must be dependent on minimum income protection almost for a whole year to become relatively poor at the 60 percent poverty threshold. Corresponding benefits in Canada and the United States offer lone parents less economic protection. After 42 weeks on the welfare rolls in Canada and after mere eight weeks in the United States, the lone parent family becomes relatively poor at the 60 percent poverty threshold. The income level of this household deteriorates much faster than in the other countries. After seven more weeks in receipt of benefits, the income of the lone parent in Canada is below 50 percent of median income. The corresponding household type in the United States becomes poor at the 40 percent poverty threshold after receiving benefits for 32 weeks.

Table 3. *Number of weeks which three type-case households can be dependent on minimum income protection before becoming relatively poor at different poverty thresholds in Canada, Germany, Sweden, the United Kingdom and the United States, 2000*

Country	Single			Family			Lone Parent		
	Poverty threshold			Poverty Threshold			Poverty Threshold		
	60 %	50 %	40 %	60 %	50 %	40 %	60 %	50 %	40 %
Canada	41	45	49	0	14	37	42	49	-
Germany	50	-	-	6	41	-	51	-	-
Sweden	51	-	-	0	-	-	50	-	-
United Kingdom	51	-	-	5	38	-	50	-	-
United States	21	28	34	0	0	0	8	27	32

Note: The year of observation for the United Kingdom is 1999. The figures refer to yearly incomes. To exemplify further, the figure 41 for a single person in Canada shows that after being dependent on minimum income protection for 41 weeks and consequently earning an average production worker's wage for 11 weeks, the single person type case household is relatively poor at a poverty threshold of 60 percent of equivalized disposable median income. The term (-) indicates that the type case household does not become poor within the first year, irrespective of receiving benefits for a whole year. A zero reflects that the household would be poor even if it included a member earning an average production worker's wage for a whole year.

Source: Own calculations based on national regulations and LIS, see *Appendix* for details. Micro-level income data for Canada is from the original Canadian Survey of Labor and Income Dynamics (SLID) provided by Statistics Canada.

The two-parent type case household is relatively poor at the 60 percent poverty threshold already from the onset of reciprocity in Canada, Sweden and the United States. Without having to rely on minimum income protection, this household type is even poor at the 40 percent poverty threshold in the United States. Obviously, this result raises some doubt on the effectiveness of the Earned Income Tax Credit to alleviate poverty. The economic wellbeing of the household gets much worse in Canada than in Germany, Sweden and the United Kingdom when the duration in receipt of benefits is prolonged. In Canada, the two-parent family is poor at the 50 and 40 percent poverty threshold after receiving benefits for only 14 and 37 weeks, respectively. In Germany the same family type becomes poor at the 50 percent poverty threshold after being 'on welfare' for 41 weeks.

Minimum income protection seems to be almost equally effective in reducing poverty among single persons as it is among lone parents in Germany, Sweden and the United Kingdom. In Canada and the United States, on the other hand, there are some differences. After being dependent on minimum income for about 40 weeks in Canada and 20 weeks in the United States, the single-person household can be defined as relatively poor at the 60 percent poverty threshold. Its financial situation deteriorates substantially after only a few more weeks on the welfare rolls. The single person household is relatively poor at the 40 percent poverty threshold after 49 weeks in receipt of benefits in Canada and after 34 weeks in the United States.

In general the results show that in 2000, minimum income protection appears to provide for a fairly generous benefit level that allows short-term recipients to find their way out of poverty, especially if poverty is defined as incomes below 40 or 50 percent of median income. The most notable exception to this pattern is the United States, where each type case household here considered would be relatively poor at the 40 percent threshold rather long before even becoming dependent on benefits for a whole year. In the other countries, single persons and the lone parent type case household must be on welfare for almost a year before they have an income below 40 or 50 percent of median income. The situation for the two-parent family is somewhat worse, but here it should be recognized that such households in reality often have two potential wage earners, something that obviously improve these households' financial situation.

DISCUSSION

This study has compared the development of the institutional structure of means-tested benefits over time in five countries. The long time frame of the study, 1960-2000, has not only made it possible to analyze means-tested benefits during periods of welfare state expansion but also during years of social policy stagnation and decline. Three questions have received particular attention: whether the development of general means-tested benefits follows a dif-

ferent pattern than that of first-tier social insurance benefits, whether these targeted benefits are more vulnerable to cutbacks than social insurance provisions, and whether benefit levels are sufficient to eradicate poverty. The longitudinal analyses show that the institutional development of general means-tested benefits has largely not followed its own path, but resembles more that observed for social insurance. All five countries included in this study expanded the coverage of means-tested benefits and made benefit levels more generous in the 1960s, whereas the 1980s and 1990s are characterized more by stagnation and retrenchment.

In the context of the retrenchment of the welfare state, it has recently been claimed that means-tested benefits are less vulnerable to cutbacks than non-targeted entitlement programs. Consequently, recipients of means-tested provisions are assumed to be the winners (or at least non-losers) in times of economic austerity and welfare state decline (Pierson, 1994). When the levels of general means-tested benefits and major social insurance provisions are estimated in a way that allows for comprehensive analyses over time, this argument does not gain full support. In fact, the analysis presented in this study point in the opposite direction. If means-tested and non means-tested benefits differ in terms of their vulnerability to cutbacks, it is targeted provisions, not social insurance, that generally tend to suffer more. However, there were some differences between countries in this respect. Relative to social insurance entitlements, means-tested benefits tend to have had a more favorable development in Germany, and consistently so in Sweden, compared to how these programs fared in the three English-speaking countries.

These results indicate at least two overall conclusions. First, that welfare state decline must be conceptualized and measured in a manner that allows systematic comparisons of developments in the institutional design of social policies. Second, that the processes at work which determine retrenchment in specific program areas are revealed as complex, seeming to vary according to wider institutional settings. One plausible and preliminary expectation is that the vulnerability of means-tested policies is related to the degree

by which the welfare state intervenes in market processes more generally. If the welfare state “crowds out” the need for private solutions in the area of social security, for example via earnings-related and universal social insurance benefits, the general political support for such arrangements may ‘spill over’ to the targeted parts of the system, something that can act as a barrier against welfare backlash also specifically in means-tested anti-poverty policies (see the second study in this dissertation for further discussion of potential institutional interplays between social insurance and means-tested benefits).

Also other institutional features of the welfare state can be of relevance with respect to such policy feedback effects. One institutional aspect of further potential relevance is the extent to which social insurance is fragmented along occupational lines, and another the extent to which anti-poverty policies are categorized so as to protect the needs of different groups, such as the unemployed, elderly and the disabled. Although both these aspects are likely to impinge on popular support for redistributive policies, they do so in slightly different ways. Since fragmented social insurance systems divide the population into different risk pools on the basis of affiliation to specific branches of industry and occupations, such corporative structures tend to generate divergent short-term economic interests among status groups, which in turn reflect the social cleavages found on markets (Korpi and Palme, 1998). Categorical means-tested benefits, on the other hand, may cause divisions between the able and non-able bodied poor, something that can decrease the general level of support for vertical redistribution and the alleviation of poverty among those capable of engaging in paid work.

Do industrialized welfare democracies guarantee citizens an adequate protection against poverty? The answer to this question can be stated in both affirmative and negative terms. Whether benefits exceed poverty thresholds depends on four factors: the country we focus on, the type of household considered, the duration in receipt of benefit, and the time period under study. If poverty is defined as having an income below 50 percent of the equivalized disposable median income for the total population, the level of minimum in-

come protection has in some countries been far from providing protection against poverty, particularly if dependency on benefits is prolonged. In fact, Sweden and the United Kingdom are the only countries where benefits generally have been provided at a level sufficient to prevent citizens from being poor.

Some differences between household types were discerned. In Canada, Sweden and the United States, the single-parent type case household has generally been provided an equal or better protection against poverty than single persons. In the United Kingdom and Germany, single persons generally have received most generous benefits. In Germany and the United Kingdom these patterns change somewhat in the mid-1990s. Whereas Germany started to provide more generous benefits to the lone parent type case household than to single persons without children, the differences in the level of economic protection provided to these two household types are negligible in the United Kingdom in 2000.

Another finding is that increases in the real value of general means-tested benefits not necessarily result in more adequate benefits. The most notable example is Canada, where the level of General Assistance in Ontario increased substantially between 1960 and 1990, whereas the adequacy of minimum income protection was remarkably stable. Another example is the United Kingdom, where the real value of Income Support increased between 1970 and 1980, whereas the adequacy of minimum income protection actually decreased. The development in Canada also give an example of the opposite, namely that cutbacks in the level of general means-tested benefits not necessarily have to be followed by a reduced capacity of minimum income protection to mitigate poverty. The reason for this is that the minimum benefit packages received by low-income households sometimes also include other types of benefits than general means-tested benefits alone. In the early 1990s, for example, the process of an increased targeting of child benefits seem to have counter-acted the negative consequences of the cutbacks being made in General Assistance in Ontario. Nevertheless, since further cutbacks in general

means-tested benefits were introduced in Ontario in the mid-1990s, the adequacy of minimum income protection finally describes a sharp decrease.

These results illustrate the importance of comparing developments of the level of social entitlements by alternative measures. From the perspective of poverty alleviation, these findings indicate that in order to sustain adequate provisions, it is sometimes not enough to keep levels of entitlement in line with price movements. This is particularly the case if improvements are taking place in the overall income distribution. In such instances, governments have to raise their ambitions. Otherwise the adequacy of means-tested benefits may be at stake.

From the perspective of poverty alleviation it is particularly worrying that the downward trend in the level of general means-tested benefits in the most recent years have had negative consequences for the capacity of minimum income protection to mitigate poverty. Only in the United Kingdom did the adequacy of minimum income protection improve between 1990 and 2000. An interesting and important question for future studies is whether this downward trend in benefit generosity has come to a halt, or whether it is to continue and characterize also the development of anti-poverty policies in the first decade of the 21st century. If so, it may be more difficult to fight poverty in the nearby future.

The most notable signs of retrenchment in minimum income protection policies are found in the two countries where the level of general means-tested benefits is more determined by political deliberation than regular indexation, that is Canada and the United States. In both these countries, the level of general means-tested benefits has suffered from substantial cutbacks in the most recent decades. It is also in these two countries that the adequacy of minimum income protection shows largest declines during the 1990s. By 2000, minimum income protection in Canada and the United States is also far from providing sufficient protection against economic hardship and poverty, although benefits from a comparative perspective already were low to start with. Despite these similarities, there are noticeable differences between the

two countries. Whereas the failure to adjust benefits to the cost of living has resulted in sharp decreases in the level of benefits in Canada since the early-1990s, the development in the United States is more characterized by a slow but steady long-term deterioration of benefits.

It is difficult at this stage to give a comprehensive explanation for these different patterns. However, one factor that may be relevant in this respect is partisan politics. Here, it is interesting to compare Canada with the United Kingdom, which also shows sudden and dramatic changes in real value of general means-tested benefits in recent years. In the British case, for example, the curtailments in the late-1980s and early-1990s is due to the fiscal retrenchment introduced by the conservative government, whereas the substantial improvements in benefits in the late 1990s is the result of the Labour Party being elected into office.

Although the analyses in this study have increased our knowledge and understanding of the development of the level of minimum income protection policies in industrialized welfare democracies, it is not the only institutional feature of relevance for the redistributive impact of such policies. It should, for example, be noted that some individuals, despite being eligible, do not apply for benefits. Some people may also be excluded from certain last-resort arrangements. Due to the institutional complexity of minimum income protection policies, it has been beyond the scope of the present study to explore the diversity of institutional aspects related to the take-up and coverage of benefits in greater detail. Nevertheless, the variation across countries in the adequacy of minimum income protection presented in this study agrees fairly well with the evidence on anti-poverty effects presented in the third study of this dissertation, suggesting that benefit levels are important for the capacity of minimum income protection policies to mitigate economic hardship and reduce poverty. This correspondence between empirical findings also shows the fruitfulness of integrating micro-data and institutional information. This approach not only gives new perspectives on the poverty problem facing contemporary welfare states, but together with investigations of the effectiveness

of social security schemes in alleviating poverty and reducing income inequalities, it also provides a comprehensive framework to unravel the redistributive mechanisms at work in the welfare state.

APPENDIX

Data on the benefit levels of national legislated or mandated social insurance programs are from the Social Citizenship Indicators Program (SCIP), which has been collected by a research team at the Swedish Institute for Social Research in Stockholm. The information in this dataset refers to the social rights of an average industrial worker. Four major social insurance programs are included in the original data: old age pensions, unemployment insurance, sickness insurance and work accident insurance. Benefits received by different type-case households have been calculated before and after taxes and social security contributions. For a more detailed description of this data see Korpi (1989) and Palme (1990).

For this study, I have complemented the SCIP database with additional information on the level of general means-tested benefits and minimum income protection policies. This data has been collected for three type case households: a single person, a two-parent family with two children (age 3 and 6), and a single parent with one child (age 3). This data has been derived from national sources as well as from direct information provided by national experts and civil servants. Data on the level of General Assistance in Ontario for the years 1960-1984 are from various issues of the *Revised Regulations of Ontario*. Data for 1984 and onwards have been supplied by the Ministry of Community and Social Services in Toronto. The level of *Sozialhilfe* in Germany is based on the average standard rates for cost-of-living assistance among the 11 subnational *länder* in the former West Germany. For the years 1970-2000, data have been supplied by the *Bundesministerium für Gesundheit und Sozialordnung*. For the years prior to 1970, the level of *Sozialhilfe* is based on the information provided by Alber (1986). For the years 1960-1984, the level of Social Assistance (*Socialhjälp*) and the Social Welfare Allowance (*Socialbidrag*) in Sweden has been collected from official documents kept by the Municipal Archive of Stockholm. Data for 1985 and onwards have been supplied by Social District No. 15 in Stockholm. Data on the level of National Assistance, Supplementary Benefit and Income Support in the United Kingdom are based

on various issues of the compilation *Social Security Statistics* published by the Department of Health and Social Security. The level of AFDC reflects the maximum benefits in Michigan (Wayne County). Data has been derived from various issues of the *Green Book* published by the Committee on Ways and Means, U.S. House of Representatives; the *AFDC Baseline Report 1998* published by the Office of the Assistance Secretary for Planning and Evaluation, Human Services Policy. The Policy Analysis and Program Evaluation Division at the Family Independence Agency in the State of Michigan has also provided information. The level of Food Stamps reflects maximum allotments in national regulations. Data have been collected from various issues of the *Green Book* and from information supplied by the Certification Policy Branch, Program Development Division, U.S. Food and Nutrition Service.

Besides general means-tested benefits, minimum income protection also includes other sources of income for which low-income households are eligible. Where appropriate, the income packages of these type case households include following components: for Canada, universal family allowances, Child Tax Credit, Child Tax Benefit, the maximum allowance for housing costs within the General Assistance program, and the Ontario Property and Sales Tax Credits; for Germany, additional supplements to meet housing costs within the social assistance program (*Sozialhilfe*), *Wohngeld*, *Unterhaltsvorschuss*, and *Kindergeld*; for Sweden, universal child benefit, guaranteed income maintenance, income-tested housing benefit, and additional supplements paid by the welfare agency to meet housing costs; for the United Kingdom, universal child benefit and housing benefit.

In order to calculate the figures in Table 3, the income packages of the three type case households also include work income. The level of earnings reflects an average production worker's wage and has been obtained from the SCIP database. In addition to the different types of benefits mentioned above, also the non-refundable Tax Credit and the Working Income Supplement in Canada as well as the Earned Income Tax Credit in the United States are included in the disposable income of these type case households. Since parts of

the components in these income packages are liable to taxation, taxes and social security contributions have been deducted from the gross amounts on the basis of information on national tax system in IFBD (2000) and OECD (2001, 2002).

In order to calculate entitlements to some of the benefits referred to above, it is necessary to define the residential housing rent paid by the three type case households. Generally it is assumed that the single person household lives in a one-room apartment, whereas the two-parent family and the lone parent family lives in a three- and two-room apartment, respectively. The rent levels in Sweden are national averages and are derived from Swedish Statistics Databases, *SSD: Housing, Construction and Houses*. The rent levels in Canada and Germany have been estimated on the basis of information on average monthly rents for different sized dwellings in 1993 reported by Kemp (1997) and rent indices reported by ILO, *Yearbook of Labor Statistics* (various years). For the United Kingdom data on average rents among all regions (England and Wales) have been supplied by the UK Department of the Environment, Transport and the Regions. For the United States, no determinate housing benefits for the client groups investigated seem to exist, and rent levels in Wayne County have thus not needed to be estimated for benefit calculation purposes.

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