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Working Paper

Families at the margins of the welfare state: A comparative study on the prevalence of poverty among families receiving social assistance

LIS Working Paper Series, No. 403

Provided in Cooperation with:

Luxembourg Income Study (LIS)

Suggested Citation: Kuivalainen, Susan (2005) : Families at the margins of the welfare state: A comparative study on the prevalence of poverty among families receiving social assistance, LIS Working Paper Series, No. 403, Luxembourg Income Study (LIS), Luxembourg

This Version is available at:

<https://hdl.handle.net/10419/95504>

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Luxembourg Income Study Working Paper Series

Working Paper No. 403

**Families at the Margins of the Welfare State:
A Comparative Study on the Prevalence of Poverty among
Families Receiving Social Assistance**

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February 2005



Luxembourg Income Study (LIS), asbl

**Families at the margins of the Welfare state:
A comparative study on the prevalence of poverty among families receiving social
assistance**

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ABSTRACT

The aim is to assess the prevalence of poverty among families receiving social assistance. We will examine the incidence of poverty among the recipients in relation to the general poverty profile. To answer these questions, the adequacy and poverty reduction effectiveness of social assistance schemes are examined. On the contrary to earlier studies that have mainly analysed the poverty reduction effectiveness for the recipients or the population as a whole, this paper has a specific focus on different family types. Both the model family technique and the LIS data are utilised and the period of examination is around 2000.

The results indicated that outcomes differ greatly between families of different kinds and to a large extent they resembled to a general poverty profile. Out of family types considered here, the best-protected family type was the elderly and the least protected the young. Findings showed significant differences in outcomes between families with children and childless families. Families with children, regardless of having one or two parent, had very high rates of poverty. Taken together, families in the receipt of social assistance had significantly higher levels of poverty than other types of families.

INTRODUCTION

During the past decades the economic vulnerability has considerably increased, and nearly every sixth household in Europe is presently living in poverty (Eurostat 2003). There are, however, great cross-national differences in the magnitude of poverty. A similar variation is found in economic insecurity among different family types and age groups; that is to say – poverty touches in a different way family types in different countries. The institutional differences between countries and models of social policy are reflected in the poverty rates and the poverty profiles. Along with the grown economic hardship, a number of recipients of the last resort safety net benefits have also increased (see Eardley et al. 1996; Puide & Minas 2001; Kuivalainen 2004). Safety net benefits are those means-tested benefits meant for households and individuals whose income is inadequate falling under the minimum income level. Benefits can also be referred as social assistance (cf. Eardley et al. 1996; Lødemel 1997). A common feature for these benefits is that they are explicitly designed to protect people against poverty.

In spite of the increased number of recipients and importance of the benefits as well as the grown research on social assistance schemes (Fridberg et al. 1993; SZW 1995; Eardley et al. 1996; Guibentif & Bouget 1997; Ditch et al. 1997; OECD 1998a & b; OECD 1999; Heikkilä & Keskitalo 2001; Heikkilä & Kuivalainen 2002; Behrendt 2002, Nelson 2003; Kuivalainen 2004), the present knowledge is still limited, especially with regard to different family types. Studies done on the effectiveness of social assistance benefits in alleviating poverty have focused on the recipients or the population as a whole. We do thus not know what is the poverty reduction effect of safety net benefits for families of different types and further whether it varies between family types. Nor do we not know how the risk of social assistance recipiency varies between families of different kind. This kind of information and comparative understanding is of utmost importance in order to understand the mechanism of social assistance schemes as well as life a situation of different family types.

This article aims to examine how families of different types are facing and treated at the margins of welfare state. Moreover, the aim is to observe whether the prevalence of poverty among social assistance recipients is similar to the general poverty profile. With the concept of margins of welfare state we refer to those households who are in the receipt of means-tested social assistance benefits (cf. Salonen 1993; Behrendt 2002). Social assistance recipiency as such has been used as a measure of poverty (Kangas & Ritakallio 1998). Households who receive social assistance are considered to be poor and among those people restricted consumption possibilities have an effect on everyday life.

The paper addresses three specific issues. We are first interested in a question how social assistance reciprocity touches different family types. Although, social assistance reciprocity can be regarded as one of the key indicators of a welfare state's capacity to create secure living conditions for the population (Salonen 1993, 15; Leisering & Leibfried 1999, 5), there is no comparable statistics available. Comparative data on the number of people receiving social assistance is exceptionally problematic (Eardley et al. 1996, 38; Puide & Minas 2001; Kuivalainen 2004), and it has been unattainable to draw comparative analyses on the composition of clientele. We aim to overcome this problem by deriving the data from the Luxembourg Income Study (LIS), which is a collection of harmonised household income surveys and include information on the actual recipients. The aim is to assess who are those households most likely to live at the margins of welfare.

Secondly, the interest is in the adequacy and thirdly, effectiveness of social assistance schemes. Two different approaches are used: the model family technique and the Luxembourg Income Study (LIS) data. The former allows us to analyse the level of support provided in each country for different households, whereas the latter enables us to assess the actual poverty rates and the poverty reduction effect for households in the receipt of social assistance. Analyses are carried out for: single person, single young, single adult, single elderly, single parent, childless couple and couple with children. The aim is to use the most up-dated data, and a period of examination is year 2000 unless otherwise specified.

Six different countries have been selected for the comparison: Finland, Sweden, Germany, the Netherlands, Ireland and the UK. The countries have chosen to represent different kinds of welfare states (e.g. Esping-Andersen 1990; Korpi & Palme 1998), and foremost different poverty (Leibfried 1992) and social assistance regimes (Lødemel & Schulte 1992; Eardley et al. 1996; Gough et al. 1997). The selection of countries consists of welfare states different enough to make the comparison interesting and fruitful, while at the same time the countries are supposed to be similar enough to make our comparison meaningful and relevant (Przeworski & Teune 1970, 31-35). In addition to three so-called archetypes of conservative, liberal and social-democratic regimes: Germany, the UK and Sweden respectively, supplementary three countries are included to represent hybrid welfare states. Those offer a better mirror and allow more comprehensive comparison than just looking at the three archetypes.

The structure of the article is as follows: first we will discuss the role of social assistance in the welfare state and present previous studies done in the field. After that we move to present the data and methods that are used. Finally, the results are presented.

POVERTY AND THE ROLE OF SOCIAL ASSISTANCE

Not only has the extent of poverty changed in during the past decades but also there have been significant changes in the profile of poverty. Studies have shown that the classical Rowntree's notion of cyclical poverty (1901) can still be observed among the industrial countries, albeit the cycle of poverty has flattened out in many countries (Kangas & Palme 2000). The most marketable change has happened with the young who nowadays have high rates of poverty and in many countries have replaced the old as the lowest income group who traditionally have had a very high risk of poverty. Despite this uniform trend, the differences across countries are still great as noticed in table 1. According to the Rowntree's concept of cyclical poverty, poverty is closely linked to childhood. Even today, families with children continue to be among those whose economic vulnerability is great; lone parent families particularly have a high risk of poverty. Countries differ, however, to a large extent as far as poverty among families with children is concerned. In the Nordic countries the risk of poverty among families with children does not significantly differ from the average risk of poverty in the population, whereas in the countries where means-testing plays a key role in social policy, high poverty rates continue to be an issue.

Table 1. Poverty rates by population groups, around 2000

	FIN	S	D	NL	IRL	UK
Single person	6	11	11	6	10	13
Single adult (aged 30 - 60)	5	5	8	3	17	8
Single young (aged - 30)	15	33	31	24	7	12
Single elderly (aged 60 +)	3	4	7	3	4	18
Single parent	6	8	30	22	28	20
Couple without children	2	3	3	7	5	6
Couple with children	3	4	6	10	11	12

Source: own calculations from LIS

Social assistance schemes are designed to protect families against poverty. A common feature to social assistance schemes is that they are last resort and subsidiary in their nature. Being a last resort benefit, social assistance does not exist in isolation; its role and importance is contingent upon the structure, characteristics and success of the economy, state and other forms of protection (Ditch 1999, 116). It is a question about how well the labour market, family policy and employment policy schemes offer adequate provision (Saraceno 2002; Salonen 1993). All these aspects affect on who will be in the need of social assistance and in the receipt of such benefit.

Social assistance reciprocity is one indicator of poverty, and by looking at the households receiving social assistance a lot about the (in)capability of the first-hand providers to guarantee sufficient

income is gained. The composition of clientele reveals a lot about the functioning of the welfare state. Social insurance programmes differ substantially in nature across countries and they provide help for various groups to a different extent, altering thus the composition of the social assistance clientele. The composition of clientele, i.e. what groups are relying on assistance, has a great impact on the nature of social assistance (Lødemel 1997, 11). The support for the able-bodied has been among the most controversial debate in the history of welfare states. The able-bodied are considered more undeserving for collective support than other groups of the population, whereas as the elderly and children are seen more deserving (van Oorschot 2000). Basically, among these groups the need for support is not seen as a result of idleness and laziness as with the able-bodied, but quite the opposite, they are considered incapable of making their living through market. These differences are more likely reflected in the eligibility rules as well as benefit levels, which in turn have an impact on the final outcomes in a form of poverty.

Studies focusing on the institutional settings of social assistance schemes have found that the importance and nature of social assistance schemes vary across countries (e.g. Eardley et al. 1996; Guibentif & Bouget 1997). The institutional design affects the demographic and social characteristics of beneficiaries (Saraceno 2002, 236-239). Typical to the corporatist regime countries is the role of family support. Familialism is recognised, for example, in Germany and the Southern European countries in a way that assistance is not granted even to adults if their parents are able to support them (Esping-Andersen 1999, 83). The liberal welfare states are characterised with a stronger emphasis on work (Leibfried 1992), and a common idea is that the welfare state should comfort only those people whose earnings capacity is limited. The Nordic countries are conversely characterised with a strong degree of citizenship and one all-encompassing scheme (Eardley et al. 1996). The eligibility rules besides the benefit levels are the most important factors influencing the poverty reduction effect (Behrendt 2002). While the eligibility rules have become more similar over the past years across European social assistance schemes (COM(98)774), it can be expected that the levels of support explain to a larger extent a variation in the poverty reduction effect and the prevalence of poverty among social assistance recipients.

In spite of the increased studies on poverty and the redistributive effect of the welfare states (e.g. Mitchell 1991; Atkinson et al. 1995; Ritakallio 2002; Fritzell & Ritakallio 2004), the studies measuring the poverty effects of means-tested benefits or more so the effects of social assistance are less numerous. So far there are only few studies that have assessed the effectiveness of means-tested benefits. Basically, two methodological approaches are to be established: those that have used the Luxembourg Income Study (LIS) data and those using the model family method. The former approach has focused on the effectiveness of means-tested benefits to lift a household over the poverty line, by looking at the poverty rates before and after the receipt of benefit. The latter approach, on other hand,

has used fictive model families to whom the value of benefits has been calculated and based on this an assumption of effectiveness of means-tested benefits to protect families against poverty has been set up.

Christina Behrendt (2002) analysed the effects of means-tested transfers in Germany, Sweden and the United Kingdom in the mid-1990s. Her results showed that in each country poverty was at the lower level due to means-tested benefits. Similar results were drawn by Diane Sainsbury and Ann Morissens (2002) who used similar approach than did Behrendt (2002). So far their work is the only one that examined the impact of such benefits separately also for the defined vulnerable groups. The groups in focus were the unemployed, solo mothers, large families and the elderly. The importance of benefits was the greatest for the unemployed. The results of these two studies clearly indicated that the poverty was most reduced by means-tested benefits in the Nordic countries and the UK. (See also Nelson 2003; Hölsch & Kraus 2004.)

The model family technique has been more commonly used to assess the generosity of social assistance schemes (SWZ 1995; Eardley et al. 1996; OECD 1998a & b; 1999; Kazepov & Sabatinelli 2001; Heikkilä & Kuivalainen 2002; Behrendt 2002; Bradshaw & Finch 2002; Nelson 2003; Kuivalainen 2003). Studies have most often analysed the levels of social assistance in the absolute terms and/or in relation to average income levels. Only two of them have studied the levels of support in relation to the poverty lines (Kazepov & Sabatinelli 2001; Behrendt 2002)^{1,2}. Relating the level of income of model families with a defined poverty line it is possible to examine if social assistance is capable of protecting families against poverty. Basically, it measures the level of social assistance in relation to the relative poverty line. This indicates whether social assistance schemes bring people out of poverty. The results have demonstrated that it has been among the Nordic welfare states where social assistance schemes have provided the highest support. It is not wholly possible to conclude to which household type social assistance has provided the highest level of support, as the comparisons have not based upon the same income concept; in most cases lone parent families have had good protection.

¹ Kazepov & Sabatinelli (2001, 38-39) calculated the ratios between GMI amounts for different family types and the corresponding poverty line in order to see how much different households are protected by GMI in comparison to the relative poverty threshold. Ratios were calculated on two different poverty lines: the OECD poverty line and national poverty line.

² Behrendt (2002, 133-140) compared the level of social assistance after housing costs of model families with relative poverty line (50%) computed on the basis of LIS data.

DATA AND METHOD

The study uses both the LIS database and the model family technique. To assess the prevalence of social assistance reciprocity and poverty and the poverty reduction effectiveness the LIS data is utilised. The LIS data allows us to examine real recipients and actual outcomes. It contains national data from over 20 countries about annual incomes for 2,000 – 57, 000 households per country. In addition, certain structural characteristics are recorded for each household, such as type of household and the age. A list of data-sets is set out in appendix 1. (For a presentation of the data <http://www.lisproject.org>)

The LIS data include information on means-tested benefits. The benefits included in our analyses are presented in appendix table 2. The purpose is to take account of those benefits that families are receiving in similar situation in different countries. The aim is to make as consistent comparison as possible. Social assistance recipient household is a household, which has received at some point of calendar year general form of social assistance ($V25si > 0$). Other types of means-tested benefits are not taken into account due to the overlap of benefits.

We define poor those households that have an equivalent income below a certain threshold representing the level of well-being of the population in a specific country. The poverty line is determined from country-specific materials. Following common manner households with negative or zero disposable income are excluded from the study. Poverty can be measured either on a household/family or on an individual basis. Since social assistance benefits are almost without exception granted to the households, the household is selected as the primary unit of analysis. To adjust for family size the traditional OECD equivalence scale is used. In poverty research the choice of equivalence scale has had a considerable impact on the measured poverty. It has great impact on the poverty rates for specific groups of population, but most often it does not affect the ranking of the countries as the choice has only a marginal impact on the overall level of poverty (e.g. Ritakallio 2001).

Although LIS data is gone through so-called “lissification” process, there still remain some inconsistencies. The Swedish household definition departs from the household definition used in the rest of countries considered in this study. The Swedish data bases on tax units and considers all young adults from the age of 18 living with their parents as independent households. This tends to overestimate the poverty in Sweden when households are used (see e.g. Förster 1994), and thus the results should be interpreted bearing this fact in mind.

The most typical way of analysing the redistributive impact of the welfare state is to compare the pre- and post-redistribution poverty rates. We use this standard method as well. The absolute reduction is the percentage point difference between the poverty rates before and after redistribution, whereas the relative reduction indicates the proportional reduction in poverty rate due to redistributive means $((\text{pre redistribution poverty rate} - \text{post redistribution poverty rate}) / \text{pre redistribution poverty rate} \times 100\%)$.

Analyses are carried out so that poverty rates are calculated for specific household type: single young (under 30), single adult (30-65), single elderly (aged 65 and over), single parent (under 65) with one child and single parent with two children, couple (both under 65) without children and couple with children. The poverty reduction is analysed for households having received social assistance, the accumulated poverty reduction effect at the population level is not examined here (cf. Sainsbury & Morissens 2002; Kuivalainen 2004).

The adequacy of social assistance and its' effectiveness to protect against poverty is analysed with the model family technique. The model family technique is a method that is based on defined model family types, to whom the value of social assistance is calculated. Method represents a form of simulation, where the impact of national policies is simulated on the model families, and where the aim is to describe the outcomes of social programmes at an individual level.

In order to operate, the method requires plenty of specifications and assumptions to make the cases comparable and the situations identical across countries (see more e.g. Bradshaw & Finch 2002; Kuivalainen 2003). The model families are selected to reflect typical family types receiving social assistance and families in different life situations (cf. table 1). Chosen families are single young (aged 20), single adult (aged 40), single elderly (aged 70), single parent (aged 40) with one child (age of 5), single parent with two children (ages of 5 and 7), couple without children (both aged 40) and with two children (ages of 5 and 7). They assumed to not have any earnings nor contribution based benefits, in a way they represent the "worst-case scenario". (See more Kuivalainen 2004.)

The value of benefits is compared using equivalent incomes. To assess the level of support to protect families against poverty, the income levels are related to the national poverty lines. The poverty lines are computed on the basis of the European Community Household Panel (ECHP)³, because it offers the data for year 2000. Appendix table 3 displays the national poverty lines.

³ European Community Household Panel is a survey based on a standardised questionnaire that involves annual interviewing of a representative panel of households and individuals in each EU country, covering a wide range of topics such as income. (See more European Commission 2003, ECHP UDB manual European Community Household Panel Longitudinal User's Database, DOC. PAN 168/2003-12.)

THE RESULTS

The risk of recipiency of different family types

The LIS data permits us to examine the composition of the recipients in each country. It allows us to explore the varying risk of different family types to be a social assistance recipient. The upper panel (A) of Table 2 displays the shares of households of all recipient households and shows the relative weight of different types of households among the recipients, whereas the lower panel (B) shows the shares of households receiving social assistance of all households indicating the relative risks among different household types to receive social assistance.

Table 2. Households receiving social assistance by type of household (%), around 2000

	FIN	S	D	NL	IRL	UK
<i>A) Social assistance recipients by type of household as % of recipient households</i>						
Single person	53,2	56,7	36,8	46,9	32,0	45,5
Single young	14,9	20,6	7,6	6,3*	2,4	2,4
Single adult	34,5	29,8	21,5	36,6*	3,3	17,9
Single elderly	3,8	6,3	7,7	4*	26,3	25,2
Single parent	12,6	18,8	38	29,1*	23,2	29,5
Couple without children	14,2	6,1	7,6	16,6*	9,6	9,5
Couple with children	18,8	16,9	15	6,3*	30,1	5,6
Others	1,2	1,5	2,6	1,1	5,1	9,9
Total	100	100	100	100	100	100
<i>B) Social assistance recipients by type of household as % of all households</i>						
Single person	12,2	7,1	1,9	4,9	5,3	16,8
Single young	18,7	11,6	2,7	4	2,9	6,9
Single adult	15,8	8,2	2	8,1	1,4	14,7
Single elderly	2,7	2,4	0,8	1,1	9,4	22
Single parent	26,3	19,8	22,8	33,3	17,9	53,4
Couple without children	6	2,2	0,7	1,9	3,2	4,8
Couple with children	8,6	5,3	1,6	0,8	4,9	9,6
Total	9,7	6	1,9	3,3	5,5	12,9

Source: Own calculations from LIS

* Refers to a small number of cases ($n < 50$)

Single adult households with and without child(ren) are the most common group among the recipients forming on average two-thirds of families on social assistance. Interesting differences appear between countries with regard to the age of single person households. In Finland and Sweden, social assistance is more heavily concentrated on young people, whereas in Ireland and the United Kingdom older recipients are more numerous. In the United Kingdom, the high proportion of elderly is due to the low

basic pension levels (Gough et al. 1997, 28). In the other countries studied, the number of elderly among recipients is negligible most likely as a result of widespread improvements in social insurance. In the two Nordic countries, the number of young people on assistance grew rapidly in the beginning of the 1990s due to increased youth unemployment. The countries also employ less strict rules for young recipients than do most other countries, which can partly explain the high share of young people among recipients (Kuivalainen 2004). The results largely relate to overall poverty profile, indicating the higher risk of poverty for young people.

Notable is the situation of single parent households. They make up a significant part of the recipients. In each country they are more likely to be in receipt of social assistance. In the United Kingdom, over half of all single parents receive Income Support and in the other countries, on average, every fourth household headed by a single parent relies on last resort support. This clearly indicates the vulnerable economic situation of single parents. Worth of note, is that a female heads most of these single parent families. This supports an argument that means-tested benefits are more feminine in their structure. It has been argued that welfare states are gendered in their structural separation of insurance-based, labour market ('masculine') provision and family-based and means-tested ('feminine') social assistance, which leads to distinction between 'rights-bearing beneficiaries' and 'dependent clients' (e.g. Sainsbury 1993).

Due to the lack of possibilities to gain support from other family members, one-adult families are more vulnerable to becoming recipients of last-resort support. This gains further evidence from with one-person families, who are more often receiving social assistance than do two adult families in each of the countries. The countries form two groups when families with children are examined: in Germany and Ireland, where families with children form half of the recipients, whilst in Finland, Sweden and in the United Kingdom, social assistance is mainly concentrated on childless families; only around one-third of recipient families on average have children.

Adequacy of social assistance with model family approach

Next we move to examine the levels of support families of different types on social assistance are entitled to. The schemes are assessed in terms of their capacity to protect families against poverty. Model families are utilised here. Relating the level of income of model families with the defined poverty threshold it becomes possible to examine this matter (Behrendt 2002; Kazepov & Sabatinelli 2001). When the income level is over the poverty threshold, the scheme can be considered to protect families on social assistance falling into poverty. Predominantly, poverty analyses in western nations are based on the concept of relative income poverty. When poverty is defined relatively, the normal level of economic resources and prevalent living standards are significant (e.g. Townsend 1979;

Gordon & Townsend 2000). The further a person's resources are from the prevailing standards, the more difficult it is to achieve a situation where the person is a full member of his/her society. Table 3 displays the level of income of families on social assistance in relation to the national poverty line.

Table 3. Levels of disposable income for model families in per cent of the 50%- poverty line, 2000

	FIN	S	D	NL	IRL	UK
Single adult	134	138	113	125	138	102
Single young	134	138	113	61	138	89
Single elderly	138	166	123	189	149	132
Single parent with 1 child	130	127	119	126	123	110
Single parent with 2 children	132	138	112	109	115	107
Couple without children	118	119	100	139	123	87
Couple with 2 children	111	107	88	96	92	92
<i>mean</i>	<i>128</i>	<i>133</i>	<i>110</i>	<i>120</i>	<i>125</i>	<i>103</i>

Source: own calculations using model family technique and own calculations from ECHP

On average, the schemes have the highest benefits for a single elderly family and the lowest for a young single family. Especially this is noticeable in the Netherlands and the United Kingdom. In these two countries the young receive income support that is not able to lift them above the poverty line, and they are thus more likely to live in poverty. In principle, it appears that the elderly are seen as more deserving than young people, and this practice mirrors the liberal idea that the welfare should comfort people whose earnings capacity is limited. Based on these findings, one can easily assume that the elderly are better protected against poverty than young people are. This matter has been proved by recent studies (Ritakallio 2002; Kangas & Palme 2000); nowadays poverty is not an issue for the elderly, but for the young. This finding also gives support for the argument that welfare states have restructured their efforts in favour of older people during the past decade (Esping-Andersen 2002).

As far as family type is concerned, the best-protected families are single households with and without children. Single adult families have a good economic protection against poverty especially in Finland, Sweden and Ireland. Findings are interesting with regard to families with children who are awarded with lower benefit levels than single person households (namely single adult and single elderly). Lone parent families are offered with higher levels of benefits than two-adult families and their income level is close to those of single person households. On the contrary, two adult families with children are in a weak position; on average they are supported with lower benefit levels than childless two adult families. Apart from the two Nordic countries, two-adult-two-children households have an income lower than the 50 percent income standard, which clearly indicates their weak economic protection

against poverty. On the whole, the weaker position of families with children is quite surprising⁴, if one takes into account that the support for the children is generally highly valued; children, and families with children, are commonly seen as more deserving for collective support than those families without caring responsibility and who are thus seen as capable of earning their living through market (van Oorschot 2000). Moreover, the lower levels of support indicate that two parent families on social assistance would have high rates of poverty.

Based on these findings it can easily be assumed that the poverty reduction effect varies between families of different kind. Overall, the schemes appear to provide a fairly generous benefit level for nearly each family type concerned to find a way out of poverty. Findings are in line with earlier studies (Kazepov & Sabatinelli 2001, 91-106; Behrendt 2002, 134-137), which have shown that it is among the Scandinavian countries where social assistance provide the best protection against poverty. Our findings thus support the assumption of the ideal-type Nordic model, providing relatively high levels of income. Further evidence for general welfare state regime theory is that the British scheme provides the lowest levels of support. Countries representing a liberal welfare state model have been characterised with lower levels of support. In the UK, the level of support that families on social assistance are entitled is barely over the 50%-poverty line.

The prevalence of poverty for different family types

The findings illustrate first of all, that poverty touches differently recipient households of different types (table 4). Additionally, they indicate that there exist differences in poverty rates across the countries studied. Earlier research assessing the incidence of poverty of different household types has shown that poverty is not nowadays something that would specifically apply to elderly people (cf. Ritakallio 2002; Kangas & Palme 2000). On the contrary, poverty is presently more a problem of young persons. This same pattern is found among the households having received social assistance. Young single households on social assistance are more often living in poverty than elderly single households. Single elderly on social assistance are significantly better off than young. It appears that social assistance and other benefits are generous enough to push them above the poverty line. The prevalence of poverty for single adult households is at the average level; lower than those of young single but higher than single elderly. It appears thus, the older the age groups concerned, the lower the poverty rate is.

⁴ The selection of equivalence scale alters the outcomes; the 'modified' OECD scale would produce higher incomes for families with children than the 'traditional' scale does. Irrespective of the scale used, single parent families have, on average, higher incomes than do two-adult families with children.

Table 4. Poverty rates (%) for recipient households before and after social assistance, around 2000

	FIN	S	D	NL	IRL	UK
<i>PRE social assistance</i>						
Single person	53	44	56	33	65	57
Single adult	56	30	63	55	66	65
Single young	48	78	60	43*	92	83
Single elderly	41	40	41	8*	62	48
Single parent	45	24	75	73	82	81
Couple without children	23	27	49	57	21	51
Couple with children	31	44	42	44*	42	74
<i>POST social assistance</i>						
Single person	17	13	27	7	14	9
Single adult	15	8	27	10*	21	10
Single young	25	54	42	23	41	17
Single elderly	0	3	21	0	9	7
Single parent	8	9	47	30*	32	41
Couple without children	5	11	19	11*	7	18
Couple with children	9	18	30	30	32	41

Source: own calculations from LIS

* Refers to a small number of cases ($n < 50$)

Findings on the poverty rates of social assistance recipients support earlier studies also in that the countries differ from each other when poverty among families with children is concerned (e.g. Ritakallio 2002). Basically, the countries can be divided into two groups. In the two Nordic countries, the risk of poverty among single parents does not significantly differ from the average risk of poverty in the population. Quite the opposite, in the United Kingdom, Ireland, Germany and the Netherlands, single parents have a high risk of poverty. Noticeable is that in these countries single parents are also more often receiving social assistance than other household types. Once on benefit they are more likely to be in poverty as well.

In addition to lone parent families, two-adult families with children have also very high rates of poverty in these four countries. Every third two-adult family with children are living in poverty even after the actual receipt of social assistance. Noticeable is that after social assistance two-adult families have even higher rates of poverty than do single parent families. This holds true for the countries with the exception of Germany. Taken together, it seems that families with children are more often living in poverty than do childless families. From the very key point of social assistance, protecting against poverty, it is questionable how well schemes accomplish this with children. Contrary to the general poverty profile, two adult families with children who in many countries have lower poverty rates have very high rates of poverty when receiving social assistance.

The poverty reduction effectiveness

For one thing, it is evident that social assistance has a poverty reduction effect (Behrendt 2002; Sainsbury & Morissens 2002; Hölsch & Kraus 2004). Findings show that without social assistance, the incidence of poverty would have been much higher among recipients than it was after social assistance. Nonetheless the effect of the receipt of social assistance differs between households, and the impact of social assistance to reduce poverty is different for different household types. As noted earlier, the level of support varies between family types, and therefore the differences in the poverty reduction effect for different family types are explicable (table 5).

Table 5. Poverty reduction of social assistance for recipient households in absolute and relative terms, around 2000

	FIN	S	D	NL	IRL	UK
<i>Absolute poverty reduction</i>						
Single person	36	31	29	26	51	48
Single adult	41	22	36	45*	45	55
Single young	23	24	18	20*	51	66
Single elderly	41	37	20	8*	53	41
Single parent	37	15	28	43*	48	56
Couple without children	18	16	30	46*	14	33
Couple with children	22	26	12	14*	10	33
<i>Relative poverty reduction</i>						
Single person	68	70	52	79	78	84
Single adult	73	73	57	82	68	85
Single young	48	31	30	47	55	80
Single elderly	100	93	49	100	85	85
Single parent	82	63	37	59	59	69
Couple without children	78	59	61	81	67	65
Couple with children	71	59	29	32	24	45

Source: own calculations from LIS

* Refers to a small number of cases ($n < 50$)

On average, the poverty reduction effect is lowest for single young households out of all single person households. The lower poverty reduction effect of social assistance for young households is partly due to a fact that in many countries, social assistance levels for the young are set at a lower level and the rules governing their eligibility for support are stricter (cf. table 3). Students are not normally eligible for the benefits (Behrendt 2002, 91; Kuivalainen 2004). Basically, this means that in the last hand students' parents have to support them. For single elderly household on social assistance the poverty reduction effect is, on the contrary, the highest. On average the poverty is reduced by 85 per cent among the single elderly. In the Netherlands, Germany and the United Kingdom, the levels of

minimum income for elderly people aged 65 and over are set at higher levels (cf. table 3). This naturally improves the poverty reduction effect. For single adults the poverty reduction effect is also high; slightly lower than for single elderly, yet significantly higher than for single young.

For single parent households, social assistance is effective in reducing poverty. In absolute terms poverty reduction ranges from 15 percent (Sweden) to 56 percent (the UK), whilst in relative terms it vary between 37 percent (Germany) as high as to 82 percent (Finland). All in all, it can be said that single parents' poverty status is significantly altered by social assistance benefits, although there is a wide variation across countries. This is partly explained by relatively higher levels of support (cf. table 3). Social assistance is less important in terms of poverty reduction for two-adult households. This is particularly the case for two-adult households with children. Only in Finland and Sweden social assistance is markedly reducing their poverty. In the other countries their poverty is reduced on average less by third. Although two-adult households with children have a low probability to be in the receipt of social assistance (cf. table 2), once they are on benefit they are more likely to be in poverty. For the most part, findings indicate that the needs of children are not met to a sufficient degree, the level of support is low (cf. table 3) and owing to that the prevalence of poverty is high.

CONCLUSION

The questions addressed in this article have shed light upon the functioning of the very keys aim of social assistance: the protection of minimum income and the alleviation of poverty. On the whole, this kind of examination has been rather rare. Studies on welfare state outcomes have mainly been devoted to the overall redistributive effect of the welfare state, and not to that extent on specific welfare programmes, such as means-tested social assistance schemes. When done so, the poverty reduction effect of means-tested benefits has been analysed for the recipients or population as a whole, and not for different family types. Here the poverty reduction effectiveness of social assistance benefits was analysed for households having received social assistance. By this way, the aim was to deepen our knowledge on how families of different type are treated at the margins of welfare. More general aim was to analyse whether the prevalence of poverty was similar to the general poverty profile. Methodologically we followed the international standards and recognised methods.

The results were much in line with earlier studies done on the effectiveness of social assistance benefits (e.g. Kazepov & Sabatinelli 2001; Behrendt 2002; Sainsbury & Morissens 2002). The Scandinavian countries offered the most generous levels of support and achieved thus also most effectively to reduce poverty among the recipient households. More importantly, the results showed that families of different kind were treated very differently; the probability to be in the receipt of social assistance and to be poor varied greatly between family types, as did the level of support provided to

the families on social assistance and the poverty reduction effectiveness of social assistance. It is evident that scheme do not consider the needs of families of different types uniformly, as the families find themselves in very different situation.

For one thing, there were great differences with regard to age. Single elderly were less commonly in the receipt of social assistance and also less frequently living in poverty. This was much as a result of the highest levels of support and the high poverty reduction effect of social assistance. On the contrary, young single had a high rate of poverty both before and after social assistance and the levels of support were significantly at the lower levels. It is somewhat clear that all schemes consider elderly more as deserving and young more as undeserving for the public support (cf. van Oorschot 2000). Simultaneously, the results indicated that the public support arrangements should comfort those incapable of earning living through market. The results were much in line with previous studies (e.g. Kangas & Palme 2000) showing that poverty and economic hardship is not nowadays a problem that would concern primarily elderly, as it as been for the centuries, but on the contrary the poverty is a magnitude issue for the young regardless of receiving assistance or not. The recent policy changes, restricting eligibility rules and lowering the benefit levels for the young have further outlined this phenomenon (Lødemel & Trickey 2000).

The results were rather striking with regard to families with children. Concerning the prevalence of social assistance reciprocity, findings indicated that social assistance is heavily concentrated on lone parent families. In some countries half of lone parent families were receiving social assistance benefits. The prevalence of poverty was not only an issue for lone parent families but also for two adult families with children. The countries are divided into two groups: in the Nordic countries the risk of poverty for families with children did not significantly differ from the average risk of poverty; in the other countries considered here, families with children have high rates of poverty. The difference in the poverty rates between non-recipient and recipient two-adult households with children is enormous. On the whole, the poverty risk among social assistance households is significantly higher than among households not having received any such benefit. It is safety to argue that the classical Rowntree's notion of poverty cycles (1901) well-fits to those families with children on social assistance. Taken together, the results indicated that the needs of children are not recognised in sufficient way. Findings draw attention also to a large number of female-headed households, those namely being single parent households, who are living in poverty. It seems that for a reason or another social assistance schemes are incapable of protecting these families against poverty.

This paper has examined the situation around 2000 for families of different types and, on the whole, the results showed that there were great differences between family types. During the past decades income transfers schemes have been reformed in many circumstances. Also the demographic structure

has in many countries changed. In order to understand outcomes of the changed policy as well as socio-economic structure it is crucial that in future the studies would analyse from a longitudinal point of view the development that has taken place and more importantly outcomes of the development for different family types.

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Appendix table 1. A list of data-sets in the LIS data

COUNTRY	YEAR	NAME OF THE DATASET	SIZE OF DATASET
FIN	2000	Income Distribution Survey	10,423
S	2000	Income Distribution Survey (IDS)	14,491
D	2000	Social-Economic Panel (GSOEP)	6,052
NL	1999	Dutch Socio-Economic Panel	5,007
IRL	2000	Living in Ireland Survey/ European Community Household Panel	2,945
UK	1999	Family Resources Survey	23,970

Appendix table 2. Social assistance benefits included from the LIS data

FIN	Toimeentulotuki (income support) Työmarkkinatuki (unemployment allowance, job market support)
S	Asumistuki (general housing allowance) Social bidrag (social assistance) Introduktion ersättning för flyktingar (introductory compensation for refugees) Bostadsbidrag (housing allowance for families and young people) Bostadstillägg (housing allowance for pensioners and special and additional housing allowance for pensioners)
D	Sozialhilfe, hilfe zum lebensunterhalt (social assistance) Arbeitslosenhilfen (unemployment assistance) Hilfe in besonderen lebenslagen (special assistance) Wohnegeld (housing allowance)
NL	Algemene Bijstandswet (National social assistance) RW werkloosheidsuitkering (State regulation for unemployed) IOAW (benefit for older and partly disabled workers) Bijdrage Eigenwoningbezit (house ownership grant) Huursubsidiebijdrage (rent subsidy)
IRL	Family Income Supplement, Regular Supplementary Welfare Allowance payments, Other Welfare Allowance Old-Age Non-Contributory Pension, Widow's Non-Contributory Pension Unemployment assistance, Farm assistance One- Parent Family Payment Carer's Allowance Carer's Benefit SWA Rent and Mortgage Interest Supplement, Rent Allowance
UK	Income Support Income based jobseeker's allowance Working Family Credit, Disability Working Allowance, funeral grant from social fund, community care grant from social fund Housing benefit, council tax benefit

Appendix table 3. Definition of poverty lines (based on disposable equivalent income for a month; Euro)

	FIN	S	D	NL	IRL	UK
Median	1030	1155	1101	966	934	1247
50%	515	577	551	483	470	623

Source: Own calculations from ECHP

The data refers to a one-person household.