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**MINIMUM INCOME PROTECTION AND LOW-INCOME  
STANDARDS:  
IS SOCIAL ASSISTANCE ENOUGH FOR POVERTY  
ALLEVIATION?**

**by**

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## **Minimum Income Protection and Low-Income Standards: Is Social Assistance Enough for Poverty Alleviation?\***

### **Abstract**

Minimum income protection and social assistance is the last-resort safety net of the welfare state, targeted to the most vulnerable groups in society. Poverty alleviation is thus one chief objective of such benefits. Whether this objective is fulfilled is continuously discussed and debated. This paper provide new evidence on this issue and offers an analysis of social assistance benefit levels in 16 industrialized welfare democracies over the period 1990-2000. It is shown that the period 1990-1995 was characterized primarily by stagnated benefit levels, while in the latter half of the 1990s benefits declined. In most countries, social assistance fails to provide income above the poverty threshold, something that makes it difficult to view these benefits as effective redistributive instruments.

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It is widely recognized that receipt of social assistance nowadays often is conditional on work-related activities. It is less well acknowledged that this conditionality of social assistance is accompanied by benefit curtailments, either deliberately induced by governments or due to the insufficient updating of benefits. Workfare is therefore not only about work activities for the involuntarily unemployed, as is commonly believed; it also involves a downsizing of benefits and the introduction of incentives to take on even low-paid employment. These changes in the content of social citizenship may not only have had profound consequences for poverty alleviation but may also have helped to make societies more unjust, with a severely weakened right of reasonable access to a decent minimum income.

Deciding exactly what a decent minimum income should be is by no means straightforward. Although the aim of poverty alleviation is central to most industrialized welfare democracies (Ringen, 1987: 141), governments differ in aspiration and welfare efforts (Veit-Wilson, 1998). However, it is necessary to agree on some yardstick against which welfare policies can be compared and evaluated. In this paper I will use the relative definition of poverty adopted by the European Union to evaluate whether social assistance guarantees an income level compatible with an egalitarian and liberal understanding of social justice. In so doing I will examine the adequacy of social assistance, i.e. whether benefits are provided at levels above the poverty threshold.

Large-scale and systematic analyses of social assistance benefit levels have been very difficult to carry out, mainly because of the lack of good quality institutional data. For this reason I have established a new macro-level dataset of social assistance benefits, which gives exceptional opportunities to study social assistance both from a longitudinal and a comparative perspective. A further aspect of this dataset is that it includes indicators of the financial situation

of lone parents. Since the majority of the latter are mothers, it brings issues of the gendering welfare state to the forefront of analysis. Questions concerning the equal treatment of men and women have become increasingly important given the greater conditionality of social assistance, which is often based on pre-conceptions about a full adult worker model family.

The adequacy of social assistance indicates how far up the income scale benefits reach and whether payments are provided at levels sufficient to reduce poverty. This measurement of social assistance adequacy rates may not necessarily correspond to the yardstick used by national governments to define income adequacy, nor is it claimed to capture whether income levels are enough for social participation and inclusion in different countries. Such assessments are beyond this study to explore. Rather, the social assistance adequate rates analyzed in this paper indicate how social assistance performs in relation to European poverty standards and the way in which poverty generally is approached in the comparative welfare state literature. Here, we combine into one theoretical and empirical framework two strands of welfare state research that are often conducted separately: institutional macro-level analyses of the organization of social policy, and outcome-related micro-level analyses of income distributions. This combination of different types of data and perspectives will give us a better understanding of anti-poverty strategies. Along with more traditional studies of poverty alleviation it complements information about the redistributive welfare state.

The present paper is structured as follows. Firstly, I relate ideas of justice to poverty alleviation, after which I discuss how workfare and gender may contribute to our understanding of the relationship between social assistance and poverty. These passages are followed by two methodological and data sections. After the presentation of the results, the paper concludes with a discussion of the main findings.

## **Just societies and social minimums**

Social minimums are central to the achievement of just societies. However, social minimums are not vital for distributive justice primarily because of its leveling effects on the overall distribution of wealth and income; universal and earnings-related social insurance provisions that tend to have greater impact on aggregate poverty and inequality rates (Nelson, 2004). The importance of social minimums has more to do with its capacity to mitigate severe income shortfalls among citizens who lack work income and fall through the net of first-tier provisions.<sup>1</sup> In his theory of justice, Rawls (1971) argues that in just societies where institutions are organized to maximize the lifetime expectations of the most disadvantaged typical person, the social minimum guarantees that the short-term basic needs of citizens are satisfied. This is the second principle of justice (the difference principle) formulated by Rawls (1971). The first principle concerns the guaranteeing of equal basic liberties. In as much as social minimums provide the individual resources necessary to realize political and civil rights, the guaranteeing of a social minimum has priority over the first principle of justice (Schaller, 1998).

Rawls does not detail how social minimums should be construed, except that he refers to the possibility of using some kind of graded negative income tax (Rawls, 1971: 275). The original concept of a negative income tax, elaborated by Friedman (1962) in the early 1960s, has not yet been realized at national level in any industrialized welfare democracy. Neither is there any other form of refined state governed guaranteed flat rate minimum income or basic income

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<sup>1</sup> Social assistance may have other functions besides providing cash support to low-income households, such as giving access to shelter, protection against domestic violence, treatment for drug-abuse, family counseling, and so forth. Although there are strong associations between household income and problems or insufficiencies in other level of living areas (Korpi et al., 2007), these additional social service functions may more appropriately be evaluated on the basis of Sen's (1985) capability approach, rather than on the basis of benefit adequacy and the social minimums discussed by Rawls (1971), below. Social services are not discussed in this text.

at operation in these countries. There is a lively debate among researchers about the construction of such basic incomes (see Haveman, 1988; Parker, 1989; van Parijs, 1995; Barry, 1996; Walters, 1997; Fitzpatrick, 1999; Murray, 2006),<sup>2</sup> although the impact of this debate on actual policy-making seems to have been limited. Perhaps the closest we get to a social minimum is social assistance, which at least in some respects resembles the type of social minimum discussed by Rawls (1971). The social minimum belongs to the transfer branch and involves cash payments from the state or local governments. Social assistance often defines the minimum income standard offered by a state or a local government. Benefits are generally designed to cater for a broad range of individual needs, and social assistance programs are more or less exclusively designed to assist the most disadvantaged citizens. The trend towards more active approaches to delivering cash benefits also indicates that social assistance is increasingly viewed as a temporary rather than long-term form of financial support.

Whether work obligations on welfare recipients are compatible with the basic requirements of a just social minimum is not always clear from the most recent debate about social assistance. Rawls (1971) was also somewhat reluctant to discuss the work-related aspects of the social minimum in greater detail. Nonetheless, he did seem to endorse some kind of fairness-based work-ethic, according to which everyone should contribute to the total amount of labor produced (White 2004). In this light, greater work obligations could well be regarded as compatible with just societies. However, the exact institutional prerequisites that have to be fulfilled for a fair work-test to apply are continuously subject to debate. I will now discuss in more detail how the growing conditionality of social assistance may interfere with the establishment of just social

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<sup>2</sup> There are certainly several reasons why governments seem to be unwilling to implement an unconditional guaranteed basic income for all citizens. One such reason is probably the relationship between basic income and work incentive, which may prove to be negative. This potential unintended effect of social policy is also recognized in much of the basic income literature.

minimums.

### **Active welfare and Social Justice**

The activation of social assistance recipients in recent decades has intensified the ongoing discussion about the construction of just societies. In both Western Europe and in the Anglo-Saxon welfare states working age recipients are nowadays often required to take on job-related activities, whether in the form of job search, education, training, or actual work. Lødemel and Trickey (2001), for example, argue that this development has introduced important changes in the way social assistance is provided. During the period of welfare state growth in the 1950s and up to the mid 1980s, activation policy was generally targeted at citizens covered by unemployment insurance. Since the early 1990s, however, obligations to participate in job-related activities are particularly pronounced in connection with social assistance (Handler, 2004). We may here distinguish between positive and negative activation, where the former involves stronger emphasis on human capital formation and the latter on sanctions (Clasen and Clegg, 2006). Some comparative evidence suggest that in connection to social assistance, activation (or workfare) often tend to be preventive in character, thus focusing more on dependency and the reinforcement of individual responsibilities than on structural forces operating at societal level (Trickey, 2001). Thus workfare further increases the dualization of social protection into insurance and assistance policies. Since social assistance is designed to help the most vulnerable groups there is a class gradient not only when it comes to the size of benefits provided to citizens, but also in relation to workfare. Better of citizens usually qualify for more generous social insurance benefits, often complemented by occupational and private

alternatives. These programs are often surrounded by less harsh conditions and sanctions than those typically attached to workfare.

Workfare programs have certainly helped social assistance recipients to move from dependency on the welfare state into employment. For many observers there is also something logically appealing about the idea of workfare. First and foremost, citizens should work, or at least show that they are willing to take on paid employment. Only if this cannot be achieved should social welfare be an option. This work-related character distinguishes workfare programs from the unconditional and non-targeted basic income guarantees discussed in research. Workfare is also distinctively different from the employment strategy, which has been a prominent feature of labor market policy in the Nordic countries during much of the post-war period. In Sweden, for example, labor market policy combined measures to stimulate both the demand for and the supply of labor. In addition, emphasis was placed on job matching. If activation *per se* is viewed in isolation from constituent parts of the Nordic employment strategy, it can sometimes be difficult to demarcate precisely when activation turns into workfare (Drøpping et al., 1999). Taken as a whole, however, the traditional Nordic employment strategy places less emphasis solely on individual factors for welfare dependency. Poverty is here recognized also to have important structural determinants.

There are reasons for us to be concerned about the widespread use of work-related obligations in social assistance. For example, it has been argued that one of the main ideas of workfare is to change the nature of workers rather than to stimulate the development of flexible labor markets and enhance the quality of work life (Gilbert, 2005). Worries are raised that workfare undermine the working conditions of low qualified labor, for example, by creating downward pressures on market wages and stimulate the development of low-wage employment



(Grover and Stewart, 1999; Schragge, 1997). Workfare also marks a departure from the less stigmatizing and repressive principles that played a part in the abolishment of the old poor relief. This seems especially to be the case if work-related activities are used more as a means to force citizens off the welfare rolls than to strengthen their human capital (Torjman, 1996).<sup>3</sup> One might even argue that in cases where work-related requirements are used more as sticks than carrots, workfare can to some extent be viewed as the old poor relief in a new guise (Schragge, 1997). It should be noted that one prominent objective of the British Poor Law of 1834 was to make relief for the undeserving and able-bodied poor so unpleasant that they stopped claiming it; the so-called less eligibility approach (Stitt, 1994). This resemblance between workfare and the old poor relief becomes even more evident if social assistance benefits have also been curtailed (as observed elsewhere, see Nelson, 2008), thus giving recipients more reason to take on even low-paid employment.

If activation is used in conjunction with downsized benefits to cut social expenditure and increase work incentives, rather than to provide resources to bridge structural gaps between supply and labor market demand, workfare may be in conflict with the idea of just social minimums. White (2003: 134), for example, includes income adequacy as the first requirement of a fair work-test.<sup>4</sup> Income adequacy refers here to the degree to which citizens have access to

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<sup>3</sup> The positive effects of workfare on the employability of social assistance recipients is also inconclusive at best (Lödemel, 2002).

<sup>4</sup> Workfare may conflict with the construction of just social minimums on even more counts. Several scholars have argued that one of the most fundamental consequences of workfare is the subsequent transformation of social citizenship, which instead of an equality of status becomes a contract (Ferrera and Rhodes, 2000; Handler, 2005). Since part of this contract stipulates that welfare clients repeatedly have to prove that they are unable to get a job, welfare contractualism may in its most extreme versions damage self-respect and self-worth (Wolff, 2003). Workfare may in this respect conflict with justice-based considerations concerning the design of social policy. Potential damage to welfare recipients' mental well-being is here more appreciated than contributions made to the common good (White, 2004). It should be remembered here that Rawls defined five primary goods to be distributed by the principles of justice: liberty, opportunity, income, wealth, and self-respect. Of these, the social basis of self-respect is held to be the most important (Rawls, 1971: 440).

benefits at levels sufficient to escape financial poverty. If workfare translates into lower social benefits for welfare recipients, the greater emphasis on activation in social assistance may have negative consequences for the construction of just social minimums. In the empirical analyses that follow I assess whether this applies to social assistance in relation to the provision of adequate minimum payments.

### **Gender dimensions of social minimums**

There seems to be a consensus in the literature that welfare states broadly tend to reproduce and reinforce existing gendered divisions of labor (Meyer, 1990; Lewis, 1992; Orloff, 1993; Gordon, 1994; Sainsbury, 1996). More recently it has been argued that the trend toward selectivity and individual responsibility in the provision of social protection also involves important gender dimensions. Orloff (2002) argues that activation is one part of a wider policy package that is built around the assumption of a gender-neutral distribution of paid and unpaid work. In this adult worker model family, both women and men are assumed to be working on the formal labor market (Lewis, 2001).<sup>5</sup> For some women, especially lone mothers, gainful employment can be problematic, especially if the associated issues of cash support for child leave and the provision of childcare facilities is not publicly recognized and provided for. Countries differ greatly here. Whereas childcare provision in the Nordic countries has largely been transferred to the formal labor market, the development of public childcare facilities in Continental Europe and the non-European English speaking welfare democracies is still limited. Substantial cross-country differences do exist in relation to the generosity of parental leave and child benefits as well

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<sup>5</sup> The adult worker model is associated with at least two problems. The problem of limited child care facilities is recognized above. Another problem is the increased or double burden placed on working mothers, who often carry out most of the unpaid care work in the family (Giullari and Lewis, 2005).

(Korpi, 2000). The extent to which welfare state policies reproduce gender inequality is, of course, in part influenced by such institutional structures of both cash and care (e.g. Ferrarini, 2006).

The move from passive to active social assistance policies is sometimes believed to be detrimental to the emancipation of women, and especially solo mothers (Michaud, 2005). For example, Chunn and Gavigan (2004) argue that workfare principles change the perception of single-mother recipients from the deserving to the undeserving poor. Poverty is mainly viewed as an individual problem with individualized solutions, basically found on the labor market by working full-time hours without necessary considerations to caring responsibilities. In most industrialized welfare democracies, lone mothers are expected to work (Lewis and Hobson, 1997). Work tests for lone parents are increasingly being implemented in social assistance regulations. Among a group of 22 OECD countries in 2000, lone parents were exempt from work obligations in only seven countries (Bradshaw and Finch, 2005). It could even be said that marriage is the best way for lone mothers to escape poverty in the era of workfare. In reality, of course, lone parenthood is not always associated with poverty. Even for lone parents applying for social assistance and related minimum income benefits, in some countries formalized work tests only apply when the children reach a certain age. In some countries the work test for lone parents only applies to part-time work, and so forth. However, lone parents are generally at greater risk than others of poverty in most industrial welfare democracies (Smeeding and Sandström, 2005; Mishra *et al.*, 2007; Brady and Kall, 2008). In several countries, lone parents are also disproportionately represented as recipients of social assistance (Ruspini, 1998).

In some countries, most notably the English-speaking welfare states, the undeserving lone mother has been a prominent feature of the poverty debate for many years. Single mothers are

stigmatized in a variety of ways. Sometimes they are accused of receiving excessive amounts of social benefits. Un-married mothers can also be portrayed as morally decadent and lazy (see Thomas, 1998). The extent to which moral judgments such as these are manifested in program regulations is unclear. Workfare for lone parents can be seen as a formalized expression of the moral conceptions about lone motherhood that often exist.<sup>6</sup> In addition to greater work obligations, governments may also have introduced special social assistance rates for lone parents. If lone parents are viewed as less deserving or even undeserving, we would expect social assistance to be less protective of the financial needs of lone mothers than of those social groups with a more positive image.

In this paper I will subject the hypothesis that there are deeply-rooted institutional gender inequalities in social assistance standards to empirical tests. In doing so, I will disaggregate the larger issue of benefit adequacy into questions pertaining to the treatment of different family constellations. This allows us to investigate the extent to which social assistance regulations take into account the varying needs of households of different types and size. This will enable us to assess the strength and weakness of social assistance for lone mothers.

### **Replacement rates and benefit adequacy**

Evaluations of social benefits are often based on levels of entitlement. One common strategy for making benefit levels comparable across countries and over time is to use replacement rates, which are calculated by relating the level of statutory entitlements to some measure of income from work. Replacement rates have been used to compare the level of social insurance (see Korpi, 1989; Palme, 1990) and the level of social assistance across countries (see Eardley *et al.*,

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<sup>6</sup> Typically the development from passive to active welfare policy is described in relation to high unemployment and tightened budget constraints.

1996; OECD, 1998a; OECD, 1998b; OECD, 1999; Kilkey and Bradshaw, 1999; Gough, 2001; Behrendt, 2002; Bradshaw and Finch, 2002).

Whereas the theoretical basis for using replacement rates in connection with social insurance is quite evident, the strategy to relate social assistance to work income is less obvious. Social insurance aims to provide income security for lost wages. Social assistance is not necessarily intended to uphold standard incomes. In most countries one core objective is rather to provide levels of subsistence that facilitate a move out of poverty, although the exact definition of poverty may differ among countries and over time. Sometimes, however, benefits are believed insufficient to provide even for a modicum of social needs, and thus incapable to reduce poverty. The development of social assistance in the United Kingdom since the early 1940s and up to the late 1970s, at least, is one example of this (Veit-Wilson's, 1992). Nevertheless, even in such extreme cases, social assistance is intended at least to mitigate very low household incomes and reduce poverty gaps. Moreover, there is often a 'distance of legitimacy' between insurance and assistance, whereby citizens in receipt of social insurance provisions are better off than those receiving social assistance (Nelson, 2005). Social assistance replacement rates are sometimes interpreted differently from social insurance replacement rates. Since there is no natural link with loss of work income, social assistance replacement rates concern more the unintended consequences of social benefits rather than the intended effects of policy reform. The former interpretation is also used by the OECD (2002) and refers to the potential negative and incremental effects of benefits on work incentives and labor supply. Such comparisons with work income can in some instances be very misleading. Whereas social insurance rights are established at individual level in most countries, social assistance entitlements are generally designed to cater for household needs. If social assistance is evaluated in relation to work

income, benefit entitlements should accordingly be compared to the earnings potential of the whole family, which is not that common in the literature.

In order to evaluate whether social assistance fulfills one of its core objectives, namely to mitigate economic hardship, it can be more appropriate to analyze benefit entitlements in relation to certain pre-defined poverty thresholds. Although replacement rates can be computed for households with different income levels, and thus show how well specific social protection programs respond to the needs and demands of households across different socio-economic strata, the alternative strategy proposed in this paper is to compare benefit levels with the overall income distribution. This exercise evaluates how far up the income distribution social assistance reaches. Whereas replacement rates show the extent to which social insurance entitlements are sufficient to mitigate losses in normal earnings, the distance between social assistance and the poverty threshold of an income distribution shows how well last-resort safety nets provide adequate protection against poverty.

Most comparative welfare state studies on income distributions define poverty in relative terms and as certain fractions of the median income in each country, after taking account of differences in household size (Jäntti and Danziger, 2000). In this study benefit adequacy is defined in terms of percentages of such median incomes. Thus, the adequacy of social assistance is measured by relating the size of benefits of the three type-cases included in SaMip to the national equivalized disposable income of the total population in each country. By this token it is possible to relate social assistance adequacy rates to the social inclusion process at European level, where the EU member states have agreed to define financial poverty by similar income standards (Atkinson et al., 2005; European Commission, 2006). Previous studies on social assistance have used equivalent definitions of benefit adequacy (Behrendt, 2002; Nelson, 2003;

Kuivalainen, 2004; European Commission, 2006), although lack of institutional data has not allowed for such longitudinal and broad comparative approaches that are used in this paper.

The methodology applied here may seem a bit arbitrary and have limited relevance for establishing levels of living necessary to achieve a minimum of human dignity and decency. Other types of approaches to evaluate benefit adequacy, such as normative expert judgments (see Parker 1998; Bernstein et al., 2000) or consensual assessments (Middleton, 2000), are perhaps better equipped for such sociological explorations, although both these methods have their own distinct problems and shortcomings (see Walker, 2005). Perhaps most important to note here is that both normative and consensual assessments are difficult to use in studies that are both temporal and cross-national in character. Particularly this applies to situations where a greater number of countries are analyzed. However, the methodology chosen in this paper should not be equated to a second best alternative. The computation of social assistance adequacy rates relates to common procedures in similar research areas and the rates entail policy relevance not the least in connection to European developments.

Since there are few binding social policy regulations at EU-level, countries are of course free to use other types of indicators and thresholds to define income adequacy nationally. Nevertheless, the agreements made at EU level indicate that all member states recognize the needs of applying common income standards in order to combat poverty and social exclusion in Europe. In this process it is important to assess whether last resort payments, in particular social assistance, have the ability to raise households above these common standards.

## **Data: SaMip and LIS**

The analyses of the adequacy of social assistance in this paper combine data from two sources: the *Social Assistance and Minimum Income Protection Interim Dataset (SaMip)* and the *Luxembourg Income Study (LIS)*. SaMip is a new comparative dataset that gives unique possibilities to study social assistance across a large number of countries and over time, thereby facilitating analyses of social change. The dataset is designed specifically for cross-national research and it contains comparative indicators of the level of social assistance and related minimum income benefits for a large number of countries and years (Nelson, 2007a).

Institutional social assistance data is derived from national legislation and regulations, and indicators have been collected on the basis of a type-case approach (for similar approaches see Korpi, 1989, 2001; Korpi and Palme, 1998). Three typical household types are used: a single person, a two-parent family and a lone-parent with two children. Social assistance is defined as the benefit package available to the three type-cases, who are assumed to lack work income and entitlement to contributory social insurance benefits. This benefit package include housing benefits, child benefits, and refundable tax credits for which these household types may be eligible, together with standard rates of social assistance.

The social assistance standard rates are from the following programs; *Special Benefit* in Australia, *Sozialhilfe* in Austria, *Minimex* in Belgium, *General Assistance* and *Ontario Works* in Canada, *Social Bistand* in Denmark, *Living Allowance* in Finland, *Revenue Minimum d'Insertion* in France, *Sozialhilfe* in Germany, *Supplementary Welfare Allowance* in Ireland, *Minimo Vitale* in Italy, *Public Assistance* in Japan, *Algemene Bijstand* in the Netherlands, *Unemployment Assistance* in New Zealand, *Sosialhjelp* in Norway, *Ingreso Minimo* and *Renta Mınima de*



Inserción in Spain, *Socialbidrag* in Sweden, *Aide Sociale* in Switzerland, *Income Support and Job Seekers Allowance* in the United Kingdom, *Food Stamps, Aid to Families with Dependent Children* and *Temporary Assistance to Needy Families* in the USA.

In some countries the standard rates of social assistance show some regional variation. This applies to Germany, where the average level of social assistance guaranteed by the federal states is used here. Madrid is used to calculate social assistance benefits in Spain. In both Sweden (until 1998) and Switzerland, the level of social assistance is based on national guidelines. In Austria and Canada, benefit scale rates reflect those in Vienna and Ontario, while Michigan is used for the United States. The Italian data on social assistance should be treated with extra caution due to extensive regional differences. Here, data refers to benefit rates effective in Milan. The scale rates of social assistance also vary geographically in Finland and Japan. In the present study the highest rated bands are used. For Norway, social assistance expenditure data is used. Beside social assistance standard rates, another important part of the benefit package of low income households is various forms of housing benefits. In countries where housing benefits are related to the rent expenditure of the household, entitlements for housing benefits are estimated on the basis of actual rents for respective family type.

The rent levels in SaMip are based on Eardley *et al.* (1996), where national informants in various countries reported the rent level for different sized apartments in 1992. For the one-person household, a one bedroom apartment is used. For the lone parent type-case, a two bedroom apartment is used. Finally, for the two-parent family, a three bedroom apartment is used. In order to obtain data for each year between 1990 and 2000, these rent levels have been adjusted in line with movements in the rent indices published by ILO Bureau of Statistics.

LIS includes national micro-level income surveys and registers, which have been harmonized to allow cross-country income distribution comparisons (Smeeding, 2002). Harmonization is used by the LIS team to facilitate cross-national research on micro level income data. LIS micro level data are preferred instead of OECD macro level data for several reasons. For example, LIS data allow modifications to the national data sets in order to increase comparability. Another reason is greater possibilities for sensitivity analyses, such as using different methods to compare income across households of different size. Each harmonized national dataset in LIS includes income information for at least 2,800 households. The specific variable of interest in LIS is household net disposable income, which is pre-constructed in the database. Household net disposable income is defined as the sum of employment income, occupational pensions, transfer income less income taxes, and mandatory social security contributions. In the calculation of median incomes we follow the standard procedure of using both population and household weights. In order to adjust income across households of different size we use the square root equivalence scale, according to which household disposable income is divided by the square root of the number of household members. Nowadays, the square root scale is the most common procedure for adjusting income estimates for differences in household size and needs.

The following LIS datasets were used in the empirical analyses: Australia (1989, 1995, 2001), Austria (1994, 1995, 1997), Bel (1992, 1995, 2000); Canada (1991, 1994, 2000); Denmark (1992; 1995, 2000), Finland (1991, 1995, 2000), France (1989, 1994, 2000), Germany (1989, 1994, 2000), Ireland (1994, 1995, 2000), Netherlands (1991, 1994, 1999), Norway (1991, 1995, 2000), Spain (1990, 1995, 2000), Sweden (1992, 1995, 2000), Switzerland (1992, 2000), United Kingdom (1991, 1995, 1999), and the United States (1991, 1994, 2000).

There are some comparability problems with Swedish income data for adults who are not yet living independently. In the original Swedish income surveys, all people over 18 years of age and still living with their parents were treated as independent households. Since these persons are often students with no or limited income, the number of Swedish households with low income is overestimated. To reduce this problem we have for each country excluded households where the head is below 25 years of age.

## **Results**

Welfare state expansion came to a halt in the mid-1980s. Although the most basic welfare state structures remain intact, most countries have to various degrees introduced social policy cutbacks (Montanari et al., 2007). Social assistance is no exception (Nelson, 2007b). The precise consequences of welfare state retrenchment for the adequacy of social assistance are less apparent. The effects of inadequate social assistance standards are clearer. If social assistance is provided at levels that are insufficient for effective poverty alleviation, it is difficult to regard fairness and justice as important hallmarks of contemporary welfare states.

### *Benefit rates and income poverty*

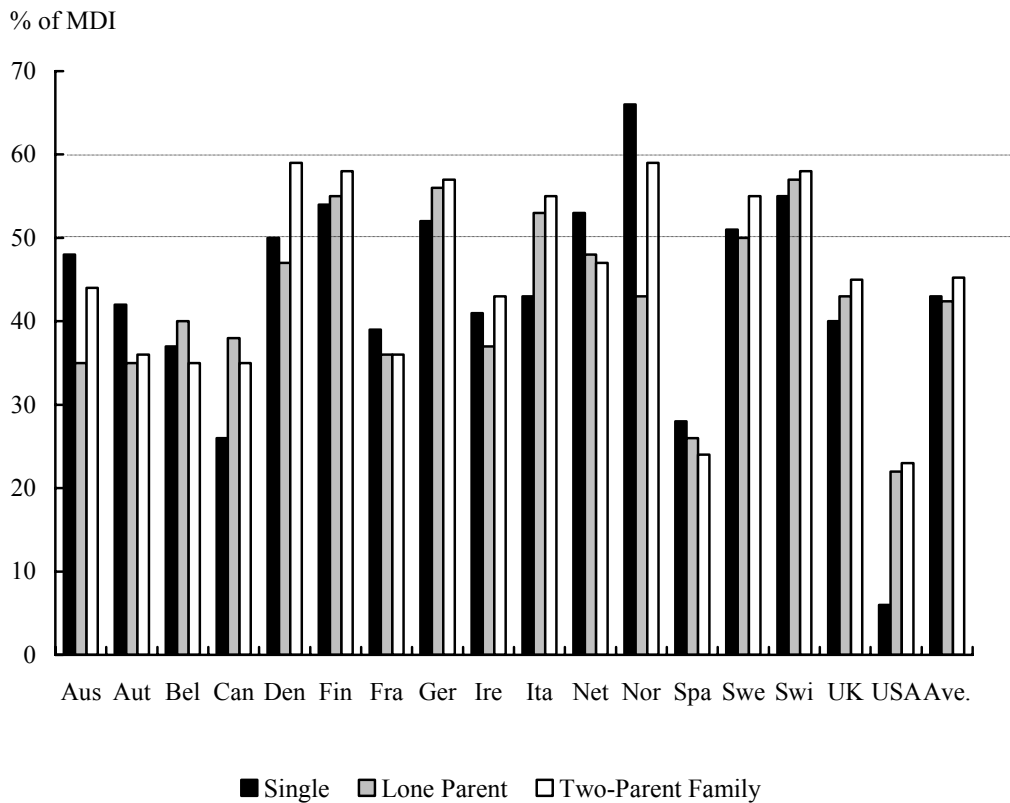
Is social assistance adequate for effective poverty alleviation? *Figure 1* shows the adequacy of social assistance in 2000 for the single person type-case, the lone-parent household, and the two-parent family.<sup>7</sup> Results based on the old and modified OECD equivalence scales do not substantially alter the main conclusions; see the sensitivity analyses reported in appendix A.

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<sup>7</sup> Greece and Portugal, which are included in the most recent version of the SaMip dataset, are not analyzed here. Greece has not implemented any generalized minimum income benefits of the type considered in this analysis, while Portugal is not covered by the Luxembourg Income Study.

Benefits often provide far from sufficient protection against poverty. On average, social assistance is provided at levels between 40 and 45 percent of median income, which is below the poverty thresholds of 50 percent most often applied in comparative income distribution studies. There are quite large differences between countries. For the family with two children, for example, benefits range between 59 percent of the median income in Denmark and Norway and 23 percent in the United States.

**Figure 1.** Adequacy of Social Assistance for three Household Types in 16 countries, around 2000.



Note: Adequacy = (Equivalentized Social Assistance Benefits for respective Household Type / Equivalentized Disposable Income in Total Population) \* 100. MDI=Equivalentized Median Disposable Income

Only in Norway does social assistance guarantee an income above the 60 percent poverty threshold. The single person type case is here granted benefits reaching 65 percent of the median income.<sup>8</sup> In the remaining countries benefits are most often below the 60 percent poverty threshold. This finding is quite remarkable, especially for the European countries. Since the early 1990s at least the European Union has increasingly become engaged in the fight against poverty and social exclusion in the member states. The 60 percent poverty threshold has consequently been adopted as one of the benchmarks to evaluate the functioning of social policy across the Union.<sup>9</sup> The results presented here must be seen as something of a failure for Social Europe and for the attempts made at the supranational level to place social issues higher up the European political agenda.

It is evident that social assistance in the three non-European countries looked at in this study also fails to raise household income above the 60 percent poverty threshold. The results for the United States are in line with those of Spain, with adequacy rates far below the average.<sup>10</sup> The situation in Australia is somewhat better, with adequacy rates around average. Canada is located between Australia and the United States in this rank-order, providing adequacy rates slightly below average.

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<sup>8</sup> The figure for Norway may be somewhat misleading in comparison with the other countries. Instead of program regulations, minimum income benefit rates in the Norwegian case are estimated on the basis of expenditure data supplied by Statistics Norway. This property may over-estimate benefits in Norway, since also one-off payments and social assistance supplements are included in the benefit package.

<sup>9</sup> The 60 percent income threshold used to be defined as the low income rate (Social Protection Committee, 2001). After the revision of the commonly agreed indicators on poverty and social exclusion it is referred to as the “at risk of” poverty rate (European Commission, 2006). Since this statistic includes not only families with income slightly below this rate but also ones with an income well below 60 percent of median income, the term “at risk of” poverty is somewhat misleading.

<sup>10</sup> In the income matrix for the SaMip dataset the single person type-case in the United States is only eligible for food stamps, which results in an extremely low adequacy rate. Low-income households with children in the United States receive an additional benefit. Since it is assumed that households lack work-income, the US type-cases in SaMip are not eligible for the earned income tax credit.

The ranking of the three non-European countries are interesting in further aspects. There is a lively discussion about the creation of a single European social model (Ebbinghaus, 1999; Scharpf, 2002; Montanari et al., 2007). Although it is clear from this debate that the model implies many different things, I would here stress that the model is both a vision about common social objectives and an attempt to distinguish certain institutional characteristics of the European welfare states. Social assistance is an important element in this discussion. For example, Anna Diamantopoulou (2003), EU Commissioner for Employment and Social Affairs 1999-2004, argue that the European social model is an attempt to establish reasonable minimum standards for social protection. At the moment however, differences in social assistance adequacy rates seem to be greater than this model implies. Neither is it possible to identify certain European patterns in this regard. Except for the United States, social assistance adequacy rates in the non-European countries is approximately similar to many European countries

If we lower the expectations somewhat and concentrate on the 50 percent poverty threshold the results improve, although many countries still provide far from adequate benefits at levels sufficient to reduce poverty. The two-parent family receives on average the most adequate benefits, although the difference between the lone parent and the single person household is quite small. The difference between the two-parent family and the single person type case is intuitively reasonable. Families with children are generally seen as more deserving of public support than households without caring responsibilities. Similarly, childless families are more often perceived as capable of earning their way out of poverty (van Oorschot, 2000). The potential influence of public opinion does not seem to have benefited lone parents because there is on average no great difference between the lone parent and the single person household.

In order to more thoroughly evaluate the treatment of lone parents and potential gender dimensions in the level of benefits, we can compare the situation of the lone parent household with that of the two-parent family (Nelson, 2007a). This reveals that most governments do not treat lone parents and two-parent families particularly differently. Only in five countries is the adequacy rate of the lone parent household more than five percentage points below that of the two-parent family, namely Australia, Denmark, Ireland, Norway, and Sweden.<sup>11</sup> Of these, Australia, Denmark and Norway are clearly three extreme cases, where the difference between the lone parent type-case and the two-parent family is more than ten percentage points.

The results presented in this section are both disappointing and promising. They are disappointing with regard to poverty alleviation since it is difficult for social assistance to reach the poverty thresholds most often used in this type of analysis. If income adequacy is one precondition for a fair work test to apply, social assistance fails to achieve this goal. Just social minimums are therefore absent in the social security machinery of contemporary welfare states. However, the findings are more promising in terms of the treatment of particular household categories. In only a handful of countries do lone parents, among whom the clear majority is solo mothers, receive the least adequate benefits. Moral judgments about the deservingness of lone mothers do not, therefore, seem to have had any major influence on the differentiation of social assistance standards in the majority of countries.

### *Dismantled protection against poverty*

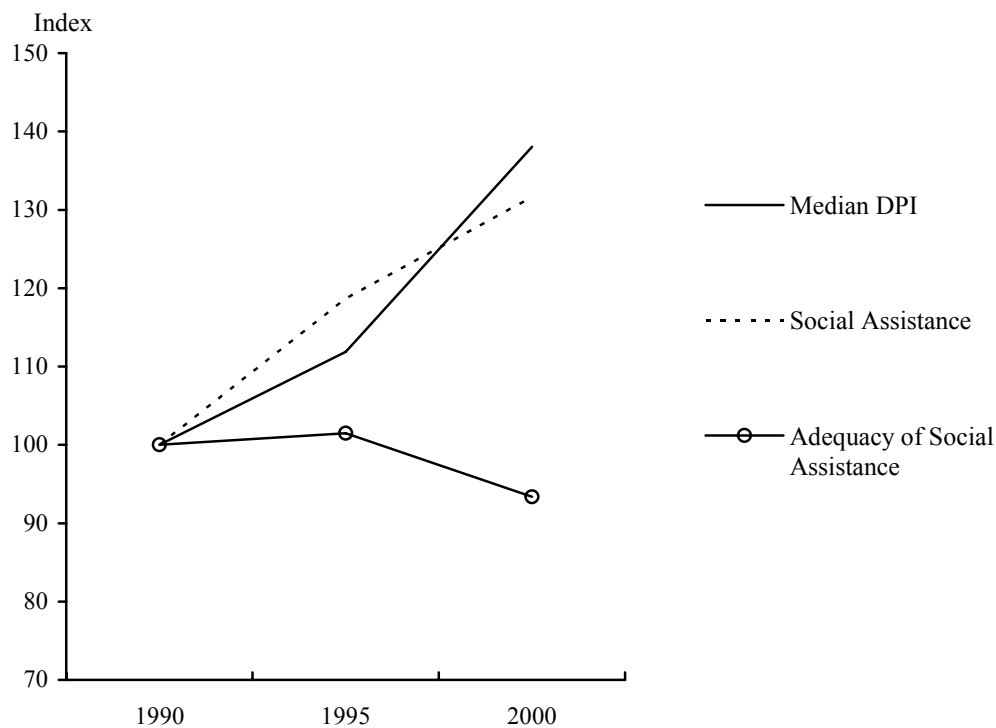
Social assistance is not as generous as it used to be. Benefits have been curtailed in most countries and one can observe a trend towards less adequate benefits. However, there has not

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<sup>11</sup> The two alternative equivalence scales above strengthen the position of lone parents somewhat but do not impact on the overall findings.

been a steady and continuous reduction in benefit adequacy since 1990. *Figure 2* shows changes in social assistance adequacy rates since the early 1990s.<sup>12</sup> These are determined by movements in disposable income and entitlement levels. *Figure 2* also shows how the numerator and denominator have changed since the early 1990s. Country averages are used and the base year is set around 1990. Unweighted averages of the three type-case households are used for social assistance entitlement levels and benefit adequacy.

**Figure 2.** Changes in Equivalized Disposable Median Income in Total Population, Size of Social Assistance, and the Adequacy of Social Assistance in 16 Countries, 1990-2000, Index 1990=100.



Note: Median DPI and Adequacy rates are estimates around 1990, 1995, and 2000. LIS includes no income data for Switzerland in the mid-1990s.

Source: SaMip and LIS.

<sup>12</sup> Since this evaluation concerns changes in adequacy rates, the results are less sensitive to the scale of equivalence used.



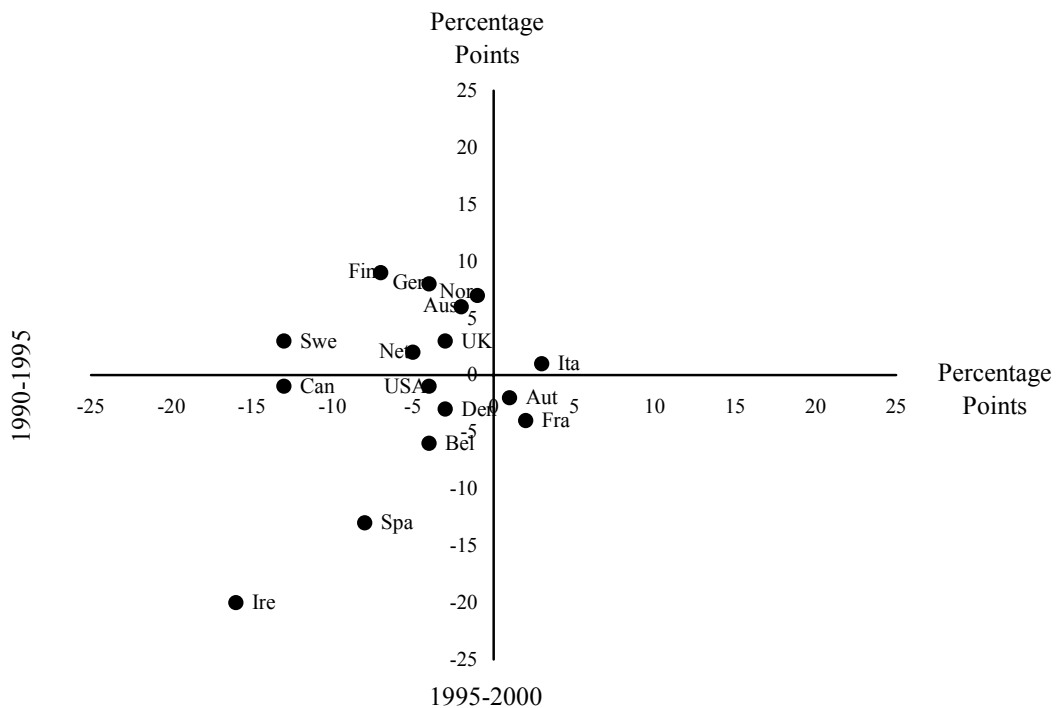
The most significant changes in adequacy rates occurred in the second half of the 1990s, when disposable income increased faster than the level of benefits. During the first half of the 1990s benefit adequacy rates were more stable. During this period, social assistance rates rose even faster than disposable income, although the rise in benefits was not enough to actually provide assistance above the poverty threshold. The unvaried adequacy levels in the first half of the 1990s has less to do with institutional improvements than the slower growth of disposable income in the aftermath of the global economic recessions of the late-1980s and early-1990s. Benefits were not up-rated to a substantially greater degree in the first half of the 1990s than in the second half. It was rather wage developments that changed, with the years 1990 to 1995 characterized by less improvement in disposable income in the total population than in the period 1995-2000.

There are some noticeable differences between countries. *Figure 3* shows changes in the adequacy of social assistance for two periods, 1990-1995 and 1995-2000, for each country. Once again, an un-weighted average of benefits for the three type-cases is used. The analysis reveals no substantial differences between household types and Italy is the only country with positive figures for both periods. However, the Italian case should be evaluated with considerable caution due to large regional differences in benefit amounts. The Italian figures reported in this paper are only valid for Milan. In some parts of Italy there are still no general means-tested social assistance benefits in operation.

Developments in the other countries were not as promising. In a large number of them, adequacy rates improved during the first half of the 1990s, after which they started to deteriorate. These countries are Australia, Finland, Germany, the Netherlands, Norway, Sweden, and the

United Kingdom. Austria and France show the opposite trend, with better protection against poverty 1995-2000, but poorer adequacy rates in the first half of the 1990s. Five countries demonstrate negative figures for both periods, namely Belgium, Canada, Denmark, Ireland, and the United States. However, both Canada and the United States are very close to the cross-over point for the period 1990-1995.

**Figure 3.** Changes in Adequacy of Social Assistance in 16 Countries, 1990-1995 and 1995-2000. Average of Benefit Adequacy for Three Household Types: Single Person, Lone Parent, and Two-Parent Family.



Note: Estimates around 1990, 1995, and 2000. LIS includes no income data for Switzerland in the mid-1990s.

Source: SaMip and LIS.

Some countries have had particularly noteworthy developments. Ireland is one example, where benefit adequacy fell by more than 15 percent during both periods. The figures for Ireland are quite remarkable since the Irish government substantially increased the scale rates of the *Supplementary Welfare Allowance* and the *Lone Parent's Allowance* in the 1990s. For example, between 1990 and 2000 the Supplementary Allowance was raised by 52 percent for a single person. The increase was 38 percent for a lone parent. In the other countries the average benefit increase was 6 percent for the same household type in the same period. The main reason why benefit increases in Ireland did not translate into better protection against poverty is that wages rose even faster during the boom in the Irish economy in the 1990s. Over this decade, Irish wages more than tripled in absolute terms (OECD 2006). This type of explanation also applies to Spain, where the adequacy of social assistance also deteriorated in the 1990s, with wages almost doubling.

Canada and Sweden are two other countries with exceptional trends, albeit not to the same extent as in Ireland. In both Canada and Sweden adequacy rates fell by about 13 percentage points in the second half of the 1990s. The developments in Sweden and Canada differ from Ireland in so far as benefits were curtailed in absolute terms in the two former countries. In Sweden the *Social Welfare Allowance* was subject to major reform in 1998. In Canada *General Assistance* was substantially reduced in 1995 and a few years later when *Ontario Works* replaced the former system of benefits (Nelson, 2003).

## **Discussion**

Is social assistance organized in accordance with an egalitarian and liberal understanding of social justice? This was the question raised in the introduction to this paper. There is obviously

more to this question than offered by the empirical analyses in this paper. Nevertheless, we can conclude that the need to fight poverty and economic hardship continues to be a major challenge for contemporary welfare states. Despite the implementation of extensive systems of social protection, poverty has not been eradicated or transformed into a marginal problem. It is estimated that almost 16 percent of European Union citizens are now poor or at risk of poverty (EUROSTAT, 2006). In the English-speaking welfare democracies outside Europe this figure is even higher (LIS, 2007).

Low-income targeting is still considered by many welfare state observers to be an effective strategy for reducing poverty (see Freeman et al., 2006). It is therefore puzzling to note that poverty has increased in many countries, despite the growing emphasis on low-income targeting within the overall design of social protection. Among the 17 countries analyzed in this paper, poverty increased on average by about 5 percentage points from the early 1990s to the turn of the new millennium (LIS, 2007). These new patterns in the distribution of income force us to reconsider the role of social assistance for poverty alleviation, particularly if the fight against poverty is to continue to be a main government objective of the industrialized welfare democracies.

In this paper we have shown that benefits are often insufficient for effective poverty alleviation, at least when social assistance adequacy rates are evaluated on the basis of the near poverty threshold agreed by the EU member states. Even if we lower the income standard and compare benefits against the '50 per cent of median' threshold commonly used in comparative income distribution research, social assistance adequacy rates are in many countries below the poverty line. In most countries, citizens of working age and relying on benefits for a whole year are condemned to live in poverty by the standards used in this paper. This finding does not

support the continued reliance on low-income targeting as an important redistributive instrument for the advanced welfare democracies. It is also doubtful whether benefits that fail to bring households out of poverty can be equated with the social minimums which Rawls (1971) originally had in mind. Although Rawls does not specify how much income the social minimum was to guarantee, it seems fair to assume that it should at very least take recipients above the poverty line. This requirement has not become less important in the face of the increased conditionality of social assistance. Income adequacy is one important condition that has to be achieved for a fair work test to apply. This criterion is far from satisfied today by social assistance in several of the countries under study. In order for social assistance to be truly effective in reducing poverty, benefits must be substantially increased, in some countries by at least 20-40 percent. Just social minimums are on this account absent from the social policy arsenal of the advanced welfare democracies.

It is beyond this paper to develop and test explanations for long-term trends in social assistance benefit adequacy and cross-national differences. Here, we may only speculate about potential causes of cross country differences in institutional design. Elsewhere I have argued that one obstacle to improvements in the level of social assistance are inadequate minimum wages and institutional restrictions in first-tier social protection programs, most notably social insurance (Nelson, 2005). First-tier social insurance benefits often restrict how much social assistance can be improved (Nelson, 2006). For example, the “distance of legitimacy” between social insurance and social assistance implies that assistance benefits cannot easily be paid at levels above social insurance. In countries where social insurance provisions are provided in the form of flat-rate amounts or are only weakly earnings-related, substantial social policy reforms may be required for social assistance to become an effective instrument in the fight against poverty. Such reforms

might, for example, involve a redesign of safety nets to substantially improve the degree of income security. Such a re-organization may have additional benefits. For example, it may strengthen social protection long term by increasing public support for redistributive policies, irrespective of whether it is horizontal or vertical in character (Korpi and Palme, 1998). This would most likely also spill over to social assistance, thereby making it easier for governments to allocate the funds necessary to raise benefits also for the lower income segments of the population.

Another reflection on the results presented in this study concerns the long-term development of social assistance. One reason why social assistance has become less adequate for reducing poverty is that wages and disposable income have risen faster than benefits. To avoid an erosion of benefits in the long term, benefits should be tied to the development of wages. Most countries today have instead indexed benefits to price developments, which makes little sense as far as relative poverty is concerned. This also holds for other types of adjustment mechanisms that link benefits to consumption patterns, rather than prices, often among the lowest income segments of the population. One common misunderstanding about social assistance standards is that they are established with reference to absolute levels of living and thus cannot be evaluated by measures of relative poverty. This is not accurate, however, even in countries where social assistance is based on a basket-of-goods approach.

Most baskets-of-goods are established with close reference to living standards in society as a whole. The consumption items included in the basket-of-goods often reflect living standards of broadly defined income groups. In Sweden, for example, the consumption items included in the basket-of-goods for the *Social Welfare Allowance* and its predecessor the *Poor Relief* have changed several times along with increased living standards in the population at large. The

license fee for public television is one clear example. Another example is the inclusion of costs for newspapers. In the 1990s, in order to reduce social expenditure, some countries removed certain goods from this basket or down-rated the amount of household expenditure devoted to each item in this basket. This down-rating and re-basing of benefits has also occurred in countries where social assistance standards are based on other approaches than the basket-of-goods. In Germany, for example, benefits for *Sozialhilfe* were curtailed when the government decided to move from a basket-of-goods to a consumption-based approach. Together with the introduction or strengthening of workfare principles in connection with the receipt of social assistance, this cutting of benefit levels may reflect the fact that governments tend to view the new types of conditional social assistance program as preventive rather than integrative measures for social inclusion.

In the literature focusing on the negative consequences of workfare there is some concern about the treatment of women and lone mothers. Some arguments are based on the recognition that workfare programs tend to be non-adoptive to the caring responsibilities of lone parents and the fear is raised that activation policies will increasingly place single mothers in the less deserving group of the welfare clientele. In this paper we have added new information to this discussion by investigating the extent to which social assistance differentiates between the needs of lone parents and other family constellations. Generally, we do not find any strong evidence that social assistance gives lone parents less generous levels of benefits than two-parent families. Other institutional aspects of social assistance may of course negatively influence the well-being of lone parents. For example, the greater emphasis on activation may prevent lone parents from claiming benefits in the first place.

The results presented above on potential gender dimensions in the design of social assistance should not be confused with more general arguments relating to the way in which welfare states structure the life chances of women and men differently. Social assistance concerns only the residual part of modern systems of social protection. Much of the gender-based inequality that exists in the industrialized welfare democracies occur independently of these schemes of last resort. Social assistance can do little to influence these fundamental forces of socio-economic stratification in society.



## Appendix A

The sensitivity analysis reported in Table A1 indicates that equivalization of disposable income does not alter the main conclusions to any great extent. Table A1 shows social assistance adequacy rates based on the old and modified OECD scales. The old OECD scale gives the first household member a weight of 1. Each additional adult receives 0.7, whereas each child receives a weight of 0.5. The modified OECD scale assigns additional adults and children weights of 0.5 and 0.3, respectively.

**Table A1.** Social Assistance Adequacy Rates for three Household Types in 17 countries.

	Old OECD Scale			Modified OECD Scale		
	Single	Lone Parent	Two-Parent	Single	Lone Parent	Two-Parent
Aus	64	41	44	52	41	46
Aut	55	39	35	46	41	38
Bel	48	45	33	40	46	35
Can	35	43	34	29	45	36
Den	64	52	56	53	54	60
Fin	69	61	55	58	63	59
Fra	51	41	35	42	42	37
Ger	65	61	53	55	65	58
Ire	58	46	45	45	45	45
Ita	57	61	54	47	63	58
Net	69	54	46	56	55	48
Nor	85	48	56	70	50	59
Spa	40	31	25	32	32	27
Swe	64	54	51	54	57	55
Swi	71	63	55	59	66	59
UK	52	48	43	43	50	46
USA	8	25	22	7	26	24

Source: SaMip and LIS.

Compared to the square root scale used above, the old and modified OECD scales improve the results somewhat, insofar as a few more countries have adequacy rates above the 60 percent

poverty threshold. However, social assistance still fails to reach the 60 percent poverty threshold in the majority of the countries subjected to comparison. Among the 51 instances analyzed (17 countries and 3 type-cases), the adequacy of social assistance is above 60 percent only in six cases when the modified OECD scale is used to equalize income. When the old OECD scale is used, 10 cases have adequacy rates above 60 percent. Compared to the square root scale used above, the two OECD scales somewhat strengthen the position of lone parents, which supports the idea that lone parents are generally not disadvantaged with regard to social assistance benefit rates.

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