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## **Minimum Income Protection and European Integration: Trends and Levels of Minimum Benefits in Comparative Perspective 1990-2005**

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**Abstract:** This paper draws attention to the Europeanization of social policy and the development of minimum income protection in a large number of welfare democracies. The empirical analyses are based on unique institutional and comparative data on benefit levels from the Social Assistance and Minimum Income Protection Interim Dataset. There is some evidence of convergence in benefit levels among the European countries since the new millennium, but there is no clear proof of universal ambitions to fight poverty or of the existence of a single European Social Model. There are still welfare frontrunners and those who lag behind in this regard, not only among industrial welfare democracies in general but also in Europe.

### **Introduction**

The issue of welfare state convergence has reappeared on the social policy research agenda in recent years. Several factors are assumed to create more or less universal policy responses throughout the industrialized world, usually in the form of the downsizing of redistributive budgets and the creation of more market- and work-friendly welfare states (1-8). One such factor is international demographic shifts, another is increased economic globalisation. A third factor which has recently received greater attention is European integration and the role of the European Union. Since at least the mid-1980s European integration has featured a social dimension alongside the pursuit of a single European market. Although social policy is still the domain of national jurisdiction and not regulated by EU law, the social dimension of the integration process has fostered a discussion about a uniform European social model (9, 10). The content of this model is not established in any great detail, although it indicates institutional conformity rather than diversity (11).

The social dimension of European integration specifically concerns arrangements for poor and needy citizens, whereby each member state is advised to provide minimum income protection in accordance with various principles. These principles include for example universal coverage, differentiated benefit amounts, and formal indexation procedures (12, 13). With the announcement of the Open Method of Coordination (OMC) in 2000, the social dimension of European integration was further extended. The intention is not to impose policy harmonization via formal EU regulations, but rather to promote soft-policy co-ordination by

means of peer pressure from other governments and the benchmarking of best practices (14-17). In the late 1990s the European Commission maintained that the strengthened social dimension of the integration process had resulted in policy convergence in minimum income protection across the community, for example in terms of guaranteed provisions and eligibility criteria (18). Referring to minimum income protection policies within the European Union, Threlfall (19) more recently concluded "...a free-mover can now count on receiving a reasonably similar amount of subsistence-level support in all states...". Not only does this statement signal a belief in tendencies of convergence, it is also a strong argument for increasingly similar minimum income guarantees being adopted throughout the European Union. Hence, social policy is both assumed to become more alike and to guarantee citizens approximately the same levels of social protection.

While institutional convergence and conformity may characterize some aspects of minimum income protection, such as the emergence of national social assistance standards and the emphasis on work-fare, there is less evidence of a convergence in benefit levels of the magnitude hinted at above. Although each member state is encouraged to develop minimum social benefits that are sufficient to cover essential needs, the EU provides no detailed guidelines on the issue of adequacy. Questions related to benefit amounts are instead passed over to the OMC and processes of emulation, whereby policies conceived or implemented in one country are supposed to be voluntarily adopted in other countries. Since Threlfall fails to provide any systematic comparison of minimum income benefits actually guaranteed in the various member states of the EU, the statement above about a convergence in subsistence-level support still needs to be empirically justified.

The purpose of this study is to analyze the evolution of minimum income protection on a cross-national basis and to subject the arguments above about policy convergence and the Europeanization of social policy to empirical tests. The first question concerns changes in benefit levels and whether minimum income protection has become more similar across countries. The second question concerns the size of benefits and whether citizens are guaranteed similar levels of subsistence support across countries. The paper also presents results from a unique and recently established institutional data-set on social policy in industrialized welfare democracies: *The Social Assistance and Minimum Income Protection Interim Data-Set*. Minimum income protection refers to the entire benefit package provided to low-income households. In addition to means-tested social assistance, this benefit package also includes, for example, child allowances, housing benefits, and refundable tax credits. The study is ambitious not only in time but also in space. Besides tracing the year-by-year development of minimum income benefits in thirteen European countries 1990-2005 (Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Switzerland, Sweden, and the United Kingdom), we also include developments in Australia, Canada, Japan, New Zealand, and the United States. The inclusion of countries outside Europe strengthens the analysis further since it is possible to distinguish specific European trends from more global convergence tendencies, resulting for example from the worldwide internationalization of trade and capital.

The paper is organized as follows: a discussion of the resurgence of low-income targeting and minimum income protection in social policy is followed by a presentation of the data. Subsequent sections are devoted to empirical analyses of social policy convergence and cross-country variability in benefit levels. The paper ends with a concluding discussion.

## **The Resurgence of Low-Income Targeting**

Although there is substantial variation between countries in the design of social policy, there is also a degree of resemblance in the types of programs that have been developed. In this regard, policy conformity in the broad sense is not a new phenomenon. One common but not necessarily mutually excluding distinction is that between social insurance, child benefits, and minimum income protection (often equated with social assistance). Social insurance compensates workers for income losses during periods of work incapacity and is granted on the basis of citizenship, contributions or occupational status. Child benefits are designed to assist households with the extra financial burden of having children and are often universal in character. Social assistance is activated when people cannot qualify for benefits from other programs or when these other provisions are insufficient for providing a certain income level. Social assistance is granted on the basis of need and attached to receiving benefits is a means-test. Social assistance often enters the distributive process in the last stage.

The historical origins of social assistance go back further than social insurance and child benefits. The means-test resembles the old poor relief, the dominant form of social protection in the nineteenth century and before. A major change in recent years is that many countries have introduced or strengthened already established work requirements as part of the contract for receiving assistance (20). In so far as these elements of workfare are used as a means of reducing the number of claimants rather than to strengthen the human capital of recipients it represents something of a return to the type of relief work or workhouses that were often characteristic of the old poor laws. Alongside these strong similarities in institutional design there are also clear differences between the modern and the historical forms of last-resort social programs for the poor and needy. Most important, the means-test for social assistance is less restrictive and the program is much less stigmatizing than the old poor-relief. Since the Second World War, social assistance has also increasingly become subject to national standards, and benefits are either partly or fully financed from general tax revenue. In most countries, citizens can also legally appeal against the system of benefits, which makes social assistance resemble the type of social rights discussed by Marshall (21). Although social assistance represents a more humane form of low-income targeting than the old poor relief did, it is still often associated with stigma. This may reduce the take-up rate of benefits with potential negative consequences for poverty alleviation.

The introduction and expansion of social insurance after the Second World War were followed by the widespread belief that the demand for social assistance and other forms of means-tested benefits would gradually diminish. This view is, for example, clearly expressed in the Beveridge Report, which laid out recommendations for a new social security system in the United Kingdom in the 1940s (22). Indeed, in most Western countries, expenditure on means-tested benefits went down during the expansion of the welfare state in the first immediate decades of the post-war period. Sweden is a striking example, where social assistance expenditure was reduced from 16 to 4 percent of total social expenditure after the introduction of universal child benefits and old-age pension in the late 1940s (23). In a few countries, however, mostly in the English-speaking welfare democracies, means-tested benefits have continued to play an important role throughout the post-war period. Here, the high prevalence of low-income targeting can be related both to insufficiencies in first-tier benefits and to political priorities. In the United Kingdom, for example, inadequate social insurance payments have forced recipients to supplement income with means-tested alternatives (24). In Australia and New Zealand, where most parts of the social security system are subject to various means- or income-tests, low-income targeting is used both to guarantee a certain minimum standard and as a means of restricting access to benefits by the well off.

The general expectation that social insurance would make the need for social assistance redundant has not been realised, not even in countries where social assistance expenditure initially was substantially reduced. Instead the extent of means-tested benefits has increased. On average spending on means-tested benefits rose by about 40 percent in the OECD area over the period 1970-1980 (25). *Figure 1* shows changes in means-tested benefit expenditure as percentage of GDP for the period 1980-2001. Two averages are used; one for the thirteen European countries and another one for the larger OECD group (includes the five non-European countries in addition to EU13). The coefficient of variation is also shown. There are no substantial differences between the two groups of countries. Means-tested benefit expenditure continued to rise until the mid 1990s, after which it started to decline. It is difficult to judge whether spending will continue to decrease. Since low-income targeting is heralded by many observers to be the necessary policy response to the recent economic and demographic challenges faced by nearly all welfare democracies (26-29), it would not come as a surprise if means-testing continues to be an attractive way of redistributing income also in the predictable future.

(Figure 1)

The increased emphasis on low-income targeting also raises important questions in relation to policy convergence. As indicated by changes in the size of the coefficient of variation, the volume of means-tested expenditure is becoming more similar across countries. However, this development should not be confused with policy convergence and processes of institutional conformity. Increased reliance on low-income targeting does not necessarily involve strengthened protection against economic hardship and poverty for the needy. In Europe at least, the rise in means-tested benefit expenditure in the first half of the 1990s is mainly due to labour market transformations, especially increases in long-term unemployment (30). In order to explore whether countries have also become more similar in policy content we need information based on other sources than expenditure data. One alternative is to focus on social policy inputs rather than outputs and to assess the quality of benefits provided to low income households.

### **The Social Assistance and Minimum Income Protection Data-Set**

Despite recognized validity problems (31-34), expenditure levels are still widely used as proxies for the institutional configuration of social policy.<sup>1</sup> In this paper we follow a different and more sophisticated approach. Instead of levels of public spending the empirical analyses are based on a new set of independent variables, which measure the quality rather than the quantity of social benefits. The focus is on social assistance and minimum income protection benefit levels. Data are from the *Social Assistance Minimum Income Protection Interim Data-Set (SaMip)*, which is under construction at the Swedish Institute for Social Research, Stockholm University (37). SaMip provides excellent opportunities to study the evolution of last-resort safety nets from a comparative perspective. Compared to similar studies and projects it is unique, given the large number of countries covered and the long time period studied. It is also specifically designed for cross-national research purposes, which means that data have been assembled so as to be as comparable across nations as possible.

In its present state the data-set covers 18 countries and data on entitlement levels have been collected for every year between 1990 and 2005. The variables included in the data-set are based on social assistance and minimum income protection regulations and legislation codified into empirical indicators. Benefit levels have been assessed on the basis of the type-

case approach, in which social assistance and minimum income protection are computed for three household types: a single person, a lone parent and a two-parent family with two children. Generally, social assistance and other means-tested benefits are not taxable. In cases where tax liability does exist, benefits are measured net of taxes. To facilitate cross-national comparisons, benefit amounts are expressed in Purchasing Power Parities (PPPs) using US \$ as the common denominator. Although PPPs have certain limitations and weaknesses, they are nevertheless more meaningful for cross-national comparisons of monetary values than market exchange rates. PPPs are also widely used to compare the monetary value of social benefits cross-nationally (38-40).

Minimum income protection includes, besides social assistance payments, family benefits, housing benefits, and refundable tax credits. Social assistance includes *Special Benefit* (Australia), *Sozialhilfe* (Austria), *Minimex* (Belgium), *General Assistance* and *Ontario Works* (Canada), *Social Bistand* (Denmark), *Living Allowance* (Finland), *Revenue Minimum d'Insertion* (France), *Sozialhilfe* (Germany), *Supplementary Welfare Allowance* (Ireland), *Minimo Vitale* (Italy), *Public Assistance* (Japan), *Algemene Bijstand* (Netherlands), *Unemployment Assistance* (New Zealand), *Sosialhjelp* (Norway), *Socialbidrag* (Sweden), *Aide Sociale* (Switzerland), *Income Support* (United Kingdom), and *Food Stamps* as well as *Aid to Families with Dependent Children* and *Temporary Assistance to Needy Families* (USA). Where appropriate housing benefits are established with reference to typical rent levels for the various household types in each particular country.

In most countries, the basic rates of social assistance are set at the national level. In a few countries, however, social assistance standards vary slightly regionally. This applies to Germany, where we use the average level of social assistance guaranteed by the provinces. In both Sweden (until 1998) and Switzerland, benefit rates are based on national guidelines issued by the *Swedish National Board for Health and Welfare* and the *Conférence Suisse des Institutions d'Assistance Publique*. In Austria and Canada, we use the benefit rates for Vienna and Ontario, while *Aid to Families with Dependent Children* and *Temporary Assistance for Needy Families* in the United States are for Michigan. For Finland and Japan, we use the highest rated bands for the different geographical areas. The Italian data should be interpreted with extra caution due to quite extensive regional and local differences in social assistance benefit rates. In some Italian municipalities, there is still no minimum income protection scheme available for persons with low incomes. The Italian data reflect the rates in Milan.

### **Trends in Minimum Income Benefits**

The past fifty years have posed challenges to the welfare state which have had major consequences for social policy. Welfare states expanded both in terms of total expenditure and areas covered by social policy during the first three decades of the post-war period (41-43). The return of mass-unemployment in a number of countries and increased economic internationalization since the mid-1970s generally put a halt to this development. In addition, decreasing fertility rates, aging populations, and adjustments to supra-national organizations - such as the European Union, the OECD, and the World Bank - have triggered new policy responses in many countries (44-47). Welfare states have added to this diversity of context by implementing differing degrees of cutbacks in social benefits and services (48-50). The development of minimum income protection in recent decades is no exception in this regard. *Figure 2* shows changes in the level of minimum income protection for the years 1990-2005 as an average of EU13 and OECD18. The lines in this figure reflect an un-weighted additive index comprising benefits for the three household types above and benefits are standardized for both price and wage developments.

[Figure 2 about here]

The trends in the European countries are almost identical with those of the OECD group. Although benefits seem to have kept up with prices, hence strengthening recipients' purchasing power, minimum income protection has been substantially eroded relative to wages. This finding indicates that the income position of recipient households has fallen behind the general income growth in society, thus placing beneficiaries in a more precarious position in the overall income distribution. Although it is difficult to establish any clear linkages between the various principles used in the year-to-year adjustment of benefits and the long term development of minimum income protection, the above results demonstrate that most governments use some form of price movement to regularly adapt benefits in order to alleviate poverty. As long as wages continue to grow faster than prices, the strategy of indexing benefits to prices may not prove very successful in securing future living standards of the lowest income segments. However, the alternative adjustment mechanisms used in other countries may not always be preferable. In countries where benefits are linked to the development of wages, such as in Austria, Denmark, Netherlands and New Zealand, or consumption, as in Germany, Finland and Japan, benefit increases do not necessarily correspond to movements in average wages or changes in consumption patterns in the population as a whole. In Finland, for example, benefits are regularly adapted to changes in consumption patterns of the lowest income quintiles, while in the Netherlands they are adapted to changes in minimum wages. In addition, governments often bypass or make adjustments to the formal indexation procedures, for example in periods when social expenditure is growing rapidly (51). As a result, benefits often fail to keep up with general income growth also in these particular countries. If indexation of minimum income protection is to be a priority of the EU as a means of securing the relative income position of recipient households, efforts should perhaps be made to encourage countries to establish a formal linkage of benefits to the overall development of wages rather than to prices or circumstances of the lowest income groups.

Despite the fact that minimum income protection has declined relative to wages, there is no clear trend of convergence in benefit levels across countries. *Figure 3* shows how minimum income benefits vary across countries in terms of the Coefficient of Variation. The distribution of benefit levels is shown for each year 1990-2005. The major difference between the European and the OECD countries appears at the end of the period. Since the turn of the new millennium and the introduction of OMC the European countries demonstrate a stronger benefit convergence than the OECD group. Whether this development is the result of the social agenda of the EU or is due to other circumstances in the European countries is of course difficult to assess here. In this regard it is interesting to note that increased spending on means-tested benefits does not necessarily coincide with tendencies of institutional assimilation. Although the volume of means-tested expenditure rose in most countries during much of the 1990s, benefit levels diverged almost continuously. When we add the social dimension of European integration to this process we would expect benefit convergence to appear earlier. It is also evident that countries continue to grant benefits according to different standards. In fact, countries differ more in this regard today than they did fifteen years ago, which is somewhat at odds with the social agenda of the European Union and the intentions of the kind of soft-coordination of social policy which has been emerging in Europe lately (52).

[Figure 3 about here]

### **Levels of Minimum Income Protection**

As noted above, the Europeanization of social policy concerns both changes in and levels of benefits. It is assumed that minimum income protection will become more similar across countries and that citizens in various countries are provided approximately the same benefit amounts. Whereas previous section was largely devoted to the issue of social change, the size of benefits is addressed in more detail below. This section begins with a general assessment of benefit levels in the various countries and proceeds with more detailed analyses of benefit differentiation across household types.

#### *Welfare Frontrunners and Welfare Laggards*

Although some general trends in the development of minimum income protection during the last one and a half decades can easily be observed, there are quite substantial differences between countries in benefit standards. This remains the case if the analysis is confined to the European countries alone. Hence, benefit convergence in the most recent years has not coincided with similar benefit amounts being adopted across countries. There are still welfare frontrunners and those who lag behind in this regard, both in Europe and elsewhere. *Figure 4* shows minimum income protection for the single person type-case household in purchasing power parities and 2005 US \$ for the years 1990 and 2005. The diagonal lines indicate countries where the development has been unusual.

[Figure 4 about here]

In 1990 minimum income protection varied between 13212 US \$ (PPPs) in Norway and 1775 US \$ (PPPs) in the United States. In 2005, the most generous benefits were also found in Norway, where minimum income protection corresponded to 15876 US \$ (PPPs). Once again, the United States was the least generous country with benefit levels at 1728 U.S. \$ (PPPs) in 2005.<sup>2</sup> The most generous benefits in 2005 were about 9 times the size of the least generous benefits, which clearly indicates the substantial cross-national variation that exists. If one excludes the United States, corresponding ratio is around three. In Europe, minimum income protection in the most generous country is about twice the size of the least generous country. Although the range between the highest and lowest scores is greater among the OECD countries, it is nevertheless high enough among the European countries to reject any strong claims about conformity of benefit levels within the European Union. Some countries in the EU are still more generous than others. There is clearly no single European social model for minimum income benefit levels. Neither is it possible to distinguish any clear cross-national patterns or groups of countries that correspond neatly with previous attempts to cluster welfare states into certain institutional types (53).

The most striking pattern is that countries which are specifically devoted to targeted solutions to the poverty problem do not necessarily offer citizens the most generous benefits. This applies especially to the English-speaking countries, which can generally be located in the lower half of the rankings presented in Figure 4. In 1990, Ireland was the only Anglo-Saxon country in the upper half of the figure. During the fifteen years covered by the analysis, minimum income protection in Australia improved relative to the other countries and in 2005 Australia joined Ireland in the upper part of the figure. It is also evident that minimum income protection in Canada was substantially curtailed between 1990 and 2005. This extraordinary development was mainly due to two factors; the first was the cap on cost-sharing under the Canada Assistance Plan in the wealthiest provinces in the early nineties; the second was the introduction of the Canada Health and Social Transfer in the mid 1990s (54). Both these reforms had serious implications for governments' decisions concerning benefit levels. In

1995, for example, the conservative provincial government in Ontario cut the standard benefits for General Assistance by more than 20 percent for almost all recipients. This meant that Ontario ceased to be one of the leading Canadian provinces in the provision of minimum income protection (55).

Although cross-national variation in minimum income protection does not necessarily follow the same pattern as that observed for other social security schemes, the findings reported do not at least contradict previous claims about potential institutional relationships between minimum income protection policies and first-tier benefits, such as social insurance (56). The ranking of countries in Figure 4, especially the location of the English-speaking countries, seems to suggest that an excessive targeting of the redistributive budget to those with low incomes may hamper the development of generous minimum income benefits. The relationship is not perfect, which of course reflects the complex set of factors operating here.

In some countries minimum income protection has undergone particularly dramatic developments. In addition to Canada, as noted above, Sweden is also found in this group. The curtailment of benefits in Sweden is due to a complex set of factors involving both re-basing and down-rating of benefits, such as when the recommended norms of the Social Welfare Allowance were replaced by national guaranteed amounts in 1998 (57). The result of these exercises is a significant drop in the country ranking in Figure 4, from place four in 1990 to place nine in 2005. However, contrary to the situation in many other countries, unemployed persons in Sweden with no previous work-record and who are ineligible for income-related unemployment benefits, often receive a basic unemployment benefit which guarantees a certain flat-rate amount. In many cases, these beneficiaries are better off than those receiving the means-tested Social Welfare Allowance considered in this analysis.

Other countries demonstrate the opposite trend. Between 1990 and 2005 the level of minimum income protection improved substantially in Australia, Germany, Italy, and Japan relative to the development in other countries. Since benefits in Italy and Japan were very low to start with, these two countries still figured in the cluster of welfare states providing medium to low minimum income protection levels in 2005. It should, again, be noted that the data for Italy must be interpreted with considerable caution due to extensive regional and local variations. In some parts of Italy, there are still no minimum income protection policies in force, despite efforts by the European Union to recommend each member state to implement national social assistance schemes.

#### *Implied Scales of Equivalence*

One peculiarity of social assistance and minimum income protection, as opposed to first-tier benefits, is the sensitivity to economies of scale within households. Although social insurance in some countries may include specific supplements for children, lone parents and adult dependents, this is more of a rule than an exception in the area of minimum income protection. In most countries, the scale rates of social assistance vary by family type as well as by the number and ages of children. These institutional characteristics often apply for family benefits and income-tested housing allowances as well. Embodied in social assistance, and consequently also reflected in minimum income packages, are certain implied scales of equivalence, which reflect judgments made in each country about the treatment of families of different kinds. In so far as these differences in standard benefits between families do not fully realize the particular needs of households of different types and sizes, it may or may not imply more deeply rooted inequalities, whereby particular family types are viewed and construed as less deserving or even undeserving groups.

Two dimensions of minimum income protection are particularly worth exploring in more detail. The first aspect is the treatment of children, which is measured by relating the benefits available to the lone parent type-case and the two-parent family with those granted to the single person. The second aspect is the long standing and ongoing discussion of how welfare states differentiate between the needs of women and men (58-60).<sup>3</sup> It is more difficult to measure this gender dimension since few programs directly target women.<sup>4</sup> One alternative is to focus on the situation of lone parents, most of whom tend to be mothers.<sup>5</sup> The extent to which minimum income protection reflects gender-based inequalities is measured by relating the benefit package of the lone-parent type-case to that of the two-parent family.

*Figure 5* shows the results of plotting the child and gender dimensions of minimum income protection next to each other. Economies of scale within households are corrected for by using the square root equivalence scale.<sup>6</sup> The two indicators are remarkably stable over the years and this comparison is confined to the situation in 2005. Benefits are not equally distributed across household types, but there is no clear indication that the European countries substantially differ from the non-European countries. Neither is there any overall pattern showing that countries systematically place one family type in a substantially more favourable or considerably less advantageous income position. In a few countries are the differences between household types of such magnitude that they can be expected to be reflected in income and poverty statistics. This applies for example to Australia, Austria, the Netherlands, and Norway where the two households with children, hence the lone parent type-case and the two-parent family, on average receive benefits that are more than ten percentage points lower than those received by the single person. If we turn to the treatment of lone parents and the gender dimension, Australia, Denmark, Ireland, and Norway satisfy this criterion.

[Figure 5 about here]

Even though several countries are located near the crossover point of 100 percent on both dimensions it is nevertheless possible to distinguish certain groups of countries with some common characteristics. Here it should be remembered that this analysis is about the relative treatment of various household types within countries and not the extent to which minimum income protection satisfies the actual needs of particular households. The issue of adequacy is beyond the scope of this study. Countries located in the upper left corner (a) treat children generously but are less generous towards women. The majority of countries fall into this category, which includes Denmark, Ireland, Italy, Finland, Germany, Sweden, Switzerland, United Kingdom, and the United States. In the upper right corner (b) we find Canada, Japan, and New Zealand, where minimum income protection is relatively helpful for women and children. Australia, Austria and Norway are located in the lower left corner (c), where minimum income protection scores low on both the child and gender dimension. Finally the lower right corner (d) includes countries where minimum income protection treats women generously but children less so. Included in this group are Belgium, France and the Netherlands.

## **Discussion**

The Europeanization of social policy involves at least two issues, namely the extent to which social policy is becoming more similar across member states of the EU and the degree to which citizens in the EU enjoy approximately similar levels of social rights. The results presented in this study show that the social dimension of European integration has not necessarily resulted in policy convergence across member states. Despite EU

recommendations in the early 1990s to reform parts of the system of minimum income protection, benefits continued to diverge among the European countries throughout the 1990s. In this regard trends in Europe do not differ from more global tendencies. To decide whether this result mainly reflects national differences in political priorities or if it is rather due to other factors, such as macro-economic performance, more detailed assessments of developments in each particular country are necessary. This type of analysis would involve close focus on the intersection of economic and political globalization processes and national party politics.

Since the new millennium and the introduction of OMC the situation in Europe has begun to change and European countries are now showing more visible convergence tendencies in minimum income protection than the broader OECD group. Therefore we cannot solely reject the social policy convergence hypothesis raised in connection with the development of the European Union. Nevertheless, it is important to emphasize that minimum income benefits still vary substantially across the European Union. Although benefits have declined relative to general income growth in most countries, it is not accurate to say that countries in the European Union have adopted uniform ambitions to fight poverty. Some member states still offer citizens more generous minimum income benefits than others. Despite convergence tendencies in recent years benefit levels show wider variation across countries today than in the early 1990s.

An interesting question is whether the European Union member states will continue to converge in the institutional formation of minimum income protection and whether this development will gradually cause the distance between welfare frontrunners and welfare latecomers in the European Union to more or less disappear. Proponents of the kind of soft coordination of social policy that has lately emerged in the European Union as a means to establish some form of European social agenda assume that this will be the case. However, the impact of, for example, the Open Method of Coordination, which is one of the means whereby the European Union attempts to influence national social policy systems, is still unclear. Perhaps it is too early to see any substantial effects of this integration process. It is therefore important to continue to look at how social policy in the various member states is formed and investigate whether national or local governments take policy recommendations at the European level and evidence on best practices into consideration when designing benefit scale rates. These studies should also look at developments in the transition countries of former communist Europe and Southern Europe. However, such an enlargement of the empirical analyses is more easily said than done, since it would require that much more efforts are placed on data collection and preparation.

One of the most important discussions in the comparative welfare state literature in recent decades has concerned the gendered dimensions of social policy, where it is argued that many social security programs fail to adequately satisfy the needs of women. In this paper we have broadened this discussion beyond social insurance and concentrated on the formation of social assistance and minimum income protection. Here the European Union specifically encourages each member state to address the differentiated needs of households of different types and sizes. In most countries, lone parents (the majority of whom are women) and families with children are not treated substantially less generous than other household categories. In this regard, the European countries seem to fulfil one policy objective raised at the European level. However, this objective was reached already in 1990, before the European Union specifically became engaged in member states' organisation of minimum income protection. Moreover, differentiated benefit amounts are not unique for the European countries; they are also found

in welfare democracies outside Europe. These findings about the gendered dimension of benefit standards do not prove the superiority of minimum income protection over social insurance. In most countries, social insurance provides more generous benefits than minimum income protection, particularly so in countries where insurance benefits are related to previous earnings. For this reason it is essential to continue the discussion about how social policy can be organized to better serve the needs of women and how processes in welfare state development can promote gender equality.

Although the empirical analysis presented in this paper is an improvement compared to previous investigations on the evolution of social assistance and minimum income protection, there is a need for continued research in this policy area. An enlargement of the Social Assistance and Minimum Income Protection Interim Dataset to include developments in eastern and southern Europe is warranted. One should also emphasize that benefit levels, which have been in focus here, are not the only important feature for the organization of minimum income protection. Consideration should also be directed to how these schemes foster take-up of benefits and whether some population groups are excluded from assistance. Also the degree of discretion in connection with benefit administration should be emphasized.

One general limitation of institutionally informed analyses of social security legislation is that they show how the systems should function, which is not necessarily the same as how the programs actually work. However, the most common alternatives to institutional data also have their weaknesses and limitations. The drawbacks of expenditure data have already been recognized and are not to be repeated here. Using micro-level census information on income to simulate benefit levels is associated with other and in some cases even more serious problems, such as the underestimation of social assistance in many countries, the absence of duration level indicators, and the mix of institutional and outcome related variables. In this regard, institutional data of the kind presented in this study is in many cases to be preferred.

## Footnotes

<sup>1</sup> There are at least three drawbacks to measuring welfare state organization in terms of social expenditure. First, social spending does not capture the essential elements of social citizenship, which includes social rights and correlated duties. Second, social expenditure is influenced by several factors more or less unrelated to the design of social policy. Third, expenditure statistics do not usually take into account taxation of benefits, although tax claw-backs on transfer income can be substantial (35, 36).

<sup>2</sup> Some caution should be exercised concerning data for Norway and the US. The level of social assistance in Norway is based on expenditure statistics and includes both lump-sum payments and special needs supplements. The data for the single-type case household in the US only includes Food Stamps. Low-income households with children in the US may also qualify for additional benefits, which slightly improve their economic situation. In addition, in some parts of the US low income households may receive various forms of General Assistance, which are administered and financed locally. These types of local benefits are not taken into consideration in the Social Assistance and Minimum Income Protection Interim Data-Set.

<sup>3</sup> The discussion about how welfare states often reinforce and create gendered inequalities has not specifically concerned the formation of social assistance. Instead focus has often been on first-tier benefits and how social insurance legislation is sometimes disadvantageous to women due to precarious positions on the labour market.

<sup>4</sup> Some countries such as Ireland and Japan have implemented programs specifically targeted at lone parents. These benefits are included in the minimum income benefit package for the lone parent type-case household.

<sup>5</sup> A study of child benefit packages in 22 industrialized countries at the turn of the new millennium revealed that over 80 percent of lone parents in each single country were female (61). Lone parents also often tend to be overrepresented among welfare clients receiving social assistance and dependent on minimum income protection for their livelihood (62).

<sup>6</sup> The square root equivalence scale is the standard approach to correct for differences in household size in income distribution studies (63). Nowadays, this scale is also used by the Luxembourg Income Study and the OECD to compare income inequality and poverty across households and countries (64). Since different scales of equivalence may yield different results, it is nevertheless important to interpret the results with caution (65). Compared with two other commonly used equivalence scales, the so-called 'old' and 'modified' OECD scales, the square root scale assumes low to moderate economies of scale within households. Sometimes the two OECD scales may overestimate the degree of income sharing within households, which can produce biased results for certain family types (66). In the analysis below the two OECD scales produce somewhat lower values for the two-parent family type-case. The same appear when the 'old' OECD scale is used for the lone parent household, whereas the 'modified' OECD scale gives the lone parent type-case slightly higher values. Compared to the square root of household size, the OECD scales strengthen the income position of the lone parent household *vis a vis* the two-parent family.

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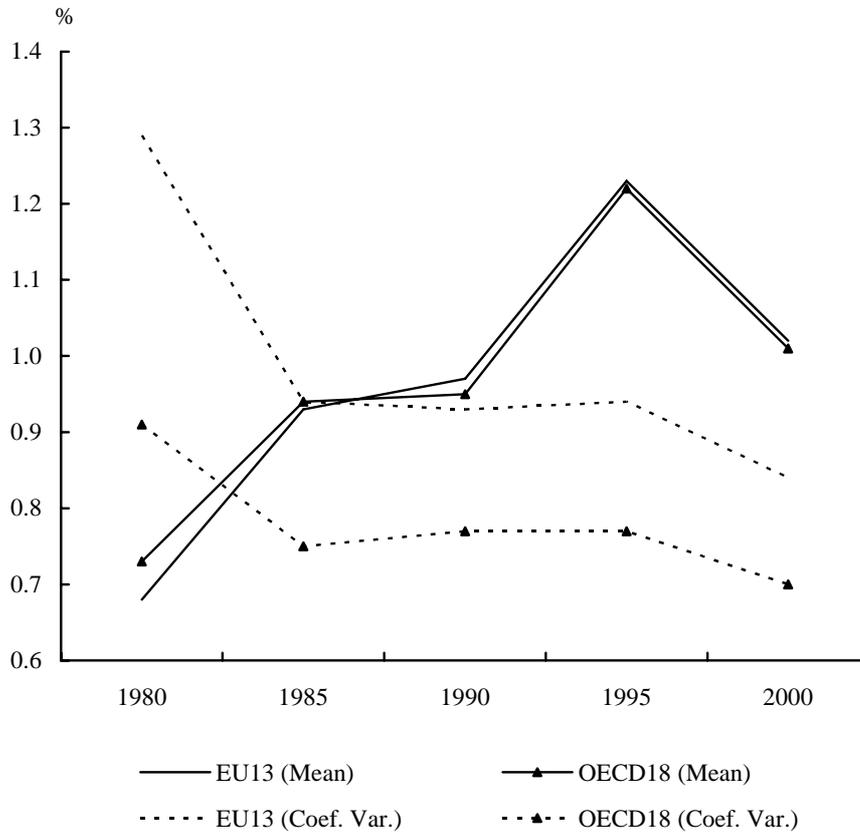
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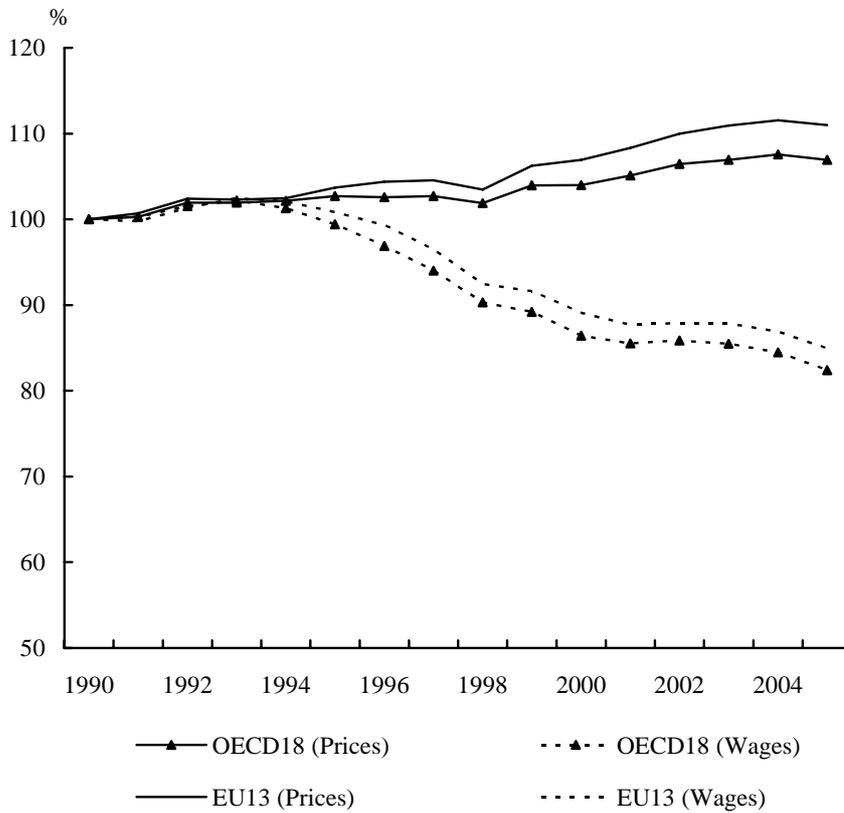
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**Figure 1.** Changes in Means-Tested Benefit Expenditure as Percentage of GDP in 18 OECD Countries and in 13 EU Countries 1980-2001.



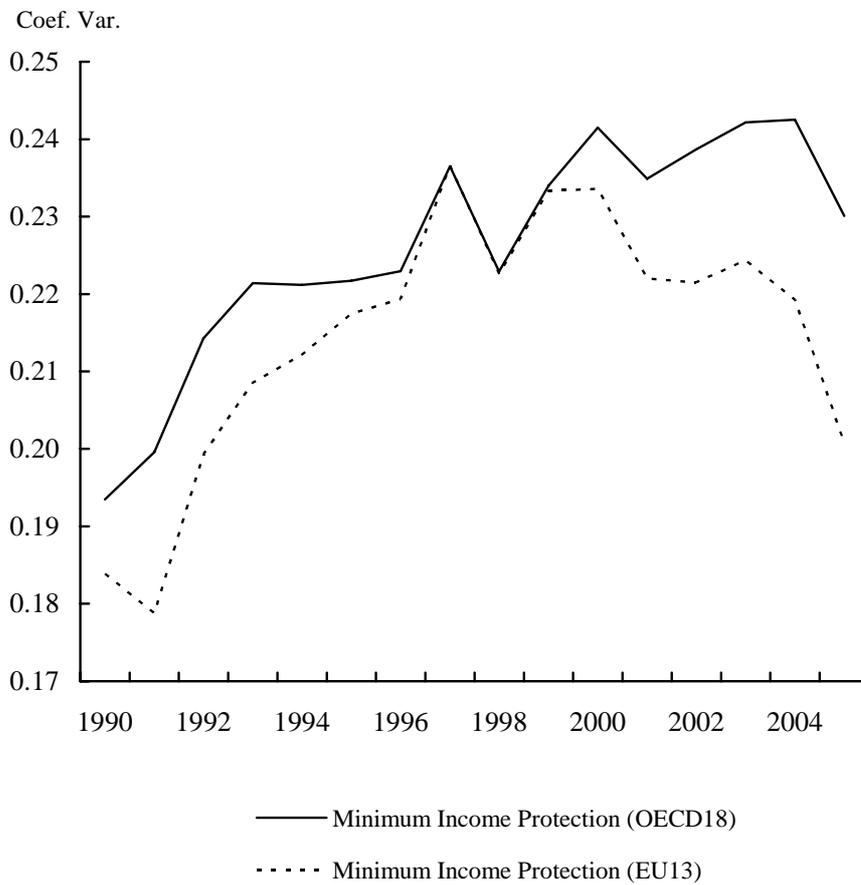
Source: OECD Social Expenditure Database (SOCX) 1980-2003.

**Figure 2.** Changes in the Level of Minimum Income Protection Standardized for Price and Wage Development in 18 OECD Countries and in 13 EU countries, 1990-2005. Averages of Three Typical Household Types: Single Person, Lone Parent, and Two-Parent Family. Index 100=1990.



Source: SaMip.

**Figure 3.** Cross-national Variation in the level of Minimum Income Protection in 18 OECD Countries and in 13 EU Countries, 1990-2005. Averages of Three Typical Household Types: Single Person, Lone Parent and Two-Parent Family.



Source: SaMip

<sup>a</sup>Benefits adjusted for Purchasing Power Parities (PPPs). Coef. Var. = Coefficient of Variation.

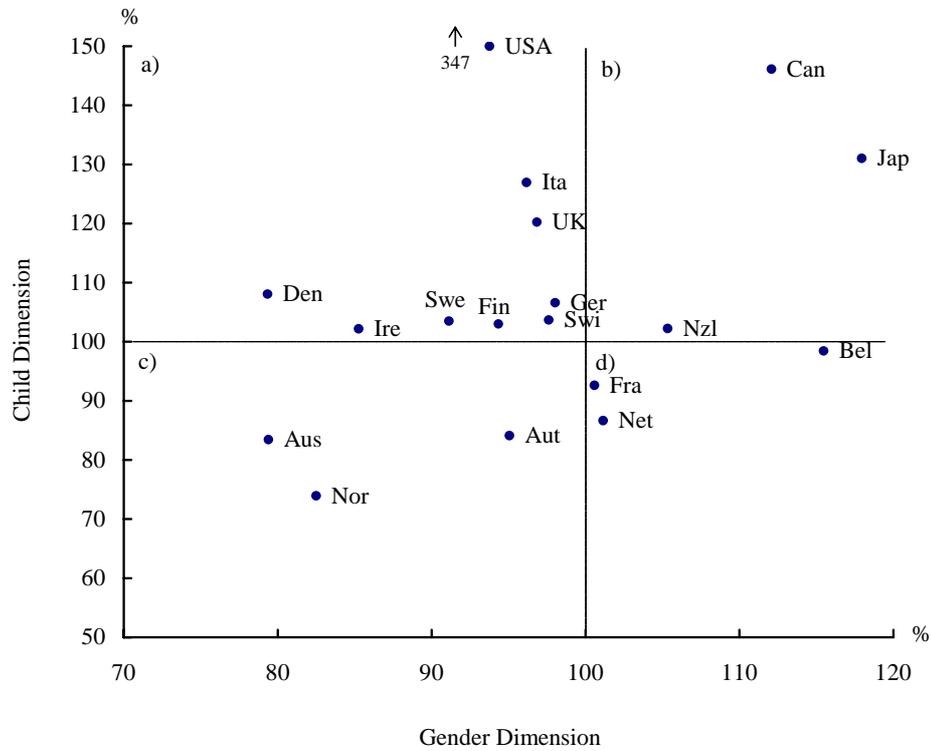
**Figure 4.** Minimum Income Protection for the Single Person Type-Case Household in 18 Countries 1990 and 2005.

1990		2005	
Nor	13212	Nor	15876
Swi	12272	Swi	12794
Den	10284	Den	11280
Swe	9979	Net	10080
Net	9686	Ger	9849
Fin	9481	Ire	9448
Ire	9073	Aus	9339
Ger	9063	Fin	9215
Aut	8625	Swe	9015
Can	8512	Jap	8784
Aus	8494	Aut	8483
Bel	8069	Bel	8023
Nzl	8037	UK	7875
Jap	7869	Ita	7695
UK	7354	Nzl	7304
Fra	7007	Fra	7118
Ita	6420	Can	5469
USA	1775	USA	1728

Source: SaMip

<sup>a</sup>PPPs and 2005 US \$. Yearly amounts.

**Figure 5.** The Treatment of Lone-Parents and Two-Parent Families with Children in Minimum Income Protection in 18 Countries, 2005.



Source: SaMip.

<sup>a</sup>Child dimension =  $[(\text{MIP for the Two-Parent Family} / \text{MIP for the Single Person}) + (\text{MIP for the Lone Parent} / \text{MIP for the Single Person})] / 2 * 100$ . Gender Dimension =  $(\text{MIP for the Lone Parent} / \text{MIP for the Two-Parent Family}) * 100$ . The square-root scale is used to standardize benefits for differences in household size.