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# **Activation strategies within European minimum income schemes**

*Sarah Marchal, Natascha Van Mechelen*

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**GROWING INEQUALITIES' IMPACTS**

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*Sarah Marchal, Natascha Van Mechelen*

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# Preface

This paper provides a description of activation efforts directed towards minimum income recipients. Information on activation strategies aimed at this population group has remained relatively limited, partly because social assistance claimants have only quite recently become a target group of activation policies. This paper compares the mix of activation policy instruments for a sample of 17 EU countries and 3 US states, as of January 2012. More in particular, in line with previous literature, the paper distinguishes between demanding, enabling and financial elements within activation strategies. The financial incentives dimension is measured based on the gap between net income at social assistance and minimum wage. The demanding elements aim to gauge minimum income scheme's overall tendency towards behavioural conditions on continued benefit receipt. Our indicator of demandingness focuses on reasonable job criteria, time limits and sanctions applied for activity related infringements. The enabling dimension is based on the prominence of training within the available active labor market programs, the range of ALMP and the extent of additional support provided to minimum income recipients. This mainly qualitative information on activation instruments is summarized into self-constructed indicators, in order to provide a clear cross country comparison of both the use of specific activation instruments and the overall inclination of minimum income schemes towards more or less demanding or enabling activation strategies.

# 1. Introduction

The latest decennia, activation has become the buzzword in employment policy and research (Weishaupt, 2013). It has been perceived as the solution to financial problems of mature welfare states, meanwhile ensuring financial and psycho-social gains for former beneficiaries taking up employment (de Neubourg, Castonguay, & Roelen, 2007; Hanesch, 1999; Sarfati, 2013). Whereas activation efforts were initially mainly directed towards unemployment insurance recipients, the focus has for some time now shifted to a wider group of recipients, including minimum income recipients (Eichhorst & Konle-Seidl, 2008). Many of the welfare reforms during the past two decades have been guided by a particular preoccupation with the social and economic reintegration of social assistance recipients. At the same time, the minimum income guarantee has become more important, as unemployment rates have soared and traditional unemployment insurance has become less generous. Also, more people work in non-standard jobs, that do not always entitle to unemployment insurance (Bonoli & Natali, 2012; Clasen & Clegg, 2011; Immervoll, 2009; Immervoll & Scarpetta, 2012).

It is widely believed that these reforms, as well as other, more incremental changes have over the latest decennia expanded the activation tool box available (Barbier & Ludwig-Mayerhofer, 2004; Eichhorst & Konle-Seidl, 2008; Immervoll, 2009). Research has followed suit, for instance through evaluating the effectiveness of single active labour market programmes, identifying the impact of the turn to activation on welfare state traditions and the determinants of this turn (Vlandas, 2013). Lately, it has been argued that a broader assessment of the (impact of) overall activation strategies is called for (Immervoll & Scarpetta, 2012), as the combination of various measures is likely more relevant in activating beneficiaries (Roed, 2012; Sarfati, 2013), rather than single programmes.

Yet, information on the extent and impact of activation related changes on minimum income protection schemes has so far remained limited to case studies. Systematic cross country comparisons of a large sample of countries remain rare (with Immervoll, 2009 as a notable exception). This is not the least due to problems that arise when trying to describe minimum income schemes, and more in particular, activation in minimum income schemes, as activation of social assistance recipients is often devolved to the local level, and implementation often discretionary (Immervoll, 2009; Kazepov, 2010; Minas, Wright, & Van Berkel, 2011; Venn, 2012).





This paper broadens the currently available information to a group of 17 EU countries and three US states. Information refers to the situation as of January 2012, and is based on answers provided by country experts to a questionnaire on activation efforts within minimum income schemes for able bodied persons of working age. The questionnaire covered a wide range of institutional characteristics, from activity requirements over the range of active labour market programmes to time limits. Furthermore, this paper presents indications of implementation, such as the sanction rate and participation rate in training and employment programmes. The latter, as well as a focus on a specific large city in each country, aid to overcome to some extent common problems related to the discretion and decentralization of activation policies.

The contribution of this paper thus lies in the detailed and timely description of activation efforts directed towards minimum income recipients in a large group of countries. Thereby it contributes to the vast and expanding literature on the transformation of passive welfare states into investment states (Bonoli, 2011; Hemerijck, 2012; Vandenbroucke & Vleminckx, 2011), for an often overlooked yet growing target group of European welfare states (Immervoll, 2009).

In order to clearly present and assess country's different activation emphasizes, the information is presented along three dimensions that have been earlier identified as relevant in the literature: financial incentives, demanding elements and enabling elements. In addition, we follow an approach proposed by, among others, Venn (2009, 2012), Hasselplug (2005) and the OECD (for instance in its employment protection legislation index, OECD, 2013), in constructing scores or indices based on the underlying qualitative information.

In a first part of this paper, we justify the classification of activation instruments in demanding, enabling and financial elements based on previous literature. Next, we present our data. Then, we outline the method proposed by Hasselplug (2005) and Venn (2012) as well as the coding framework that we use to summarize the rich qualitative information into clear and comprehensible scores. Section 4 summarizes the activation instruments used in 17 EU countries and 3 US States and assesses the countries overall focus on demanding, enabling and financial elements. The fifth section shortly explores whether there are trade-offs between the three activation dimensions, for instance whether low financial incentives tend to be compensated by more demanding or enabling types of activation. Section 6 briefly considers to what degree specific activation strategies are linked to adequate social safety nets. Finally, we conclude.

## 2. Dimensions of activation in the literature

The activation paradigm and activation-led policy reforms have gained a lot of research interest over the last decennia. The result has been a multitude of both definitions and characteristics identified as the core and aims of activation (Barbier, 2006). However, most of the interpretations that have abounded over the years have the notion in common that activation or activation reforms entail making welfare programs more employment-friendly (Knotz, 2012; Weishaupt, 2011), although the objective of strengthening employment often goes hand in hand with a focus on reducing benefit dependency and the vulnerability among the working age population (Immervoll & Scarpetta, 2012).

In this paper, we align with the rather broad interpretation of activation as efforts or measures to promote employment and to relieve dependence on welfare systems. Specifically with regard to our focus on minimum income recipients, activation should be understood to refer to all efforts that lead, compel or guide minimum income recipients to employment, or in a wider sense self-sufficiency.

Given the rather numerous ways in which welfare states can become more employment friendly, or how employment for specific groups of welfare dependents can be made more likely, comparing activation strategies entails the risk of losing oneself in details and national specificities. Especially when comparing activation strategies among multiple countries, establishing relevant dimensions for comparison is necessary. However, dimensions chosen for comparison are by no means neutral. In fact, they largely determine the possible results of the analysis (Aurich, 2011; Ditch, 1999). Depending on the exact research question or aim of the analysis, various valuable dimensions for comparison of activation policies have already been proposed in the literature<sup>1</sup>. In line with our mainly descriptive aim, we structure our assessment around the *demanding*, *enabling* and *financial* elements of overall activation policy packages. This more instrumental classification (as opposed to a classification that includes varying aims or balances of rights and responsibilities, see for instance Aurich, 2011) allows for a more straightforward interpretation of activation policies and is rather dominant

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<sup>1</sup> The studies discussed in the following paragraphs do not (or not exclusively) focus on activation strategies targeted towards minimum income beneficiaries. Generally, their focus is on the combination of activation instruments directed at the unemployment insurance beneficiaries, or the unemployed as a broad group.

<sup>2</sup>The same experts who provided the calculations for the model family simulations. For more information on the CSB-MIPI database, including the list of participating experts, see Van Mechelen et al. (2011).

<sup>3</sup> It should be noted that the scores awarded should still be revised by country experts.



in the literature. For instance, Van Berkel and Hornemann Moller (2002) argue that governments employ three strategies to encourage economic self-sufficiency, although the exact mix and importance may vary: financial work incentives, the conditionality of benefit receipt on work (termed the paternalistic activation approach) and the investment in resources aimed at facilitating labour market integration. The latter requirements closely align to the distinction made by Eichhorst and Konle-Seidl (2008) between demanding and enabling elements, terms that we adopt in this paper. Other than Van Berkel and Hornemann Moller, they do not narrow demanding elements down to the condition to work, yet the combination of these elements “should reconcile individual expectations with options available on the labour market”. They define demanding elements as policies aimed at increasing job search activity and the probability of accepting a job. In this sense, also lowering the generosity of out of work benefits is considered to be a demanding element. Enabling elements include measures aimed at raising employability, for instance by active labour market policies. The authors also classify in work benefits as enabling elements. In this paper we adopt Eichhorst and Konle-Seidl’s terms of demanding and enabling elements to a large degree. However, in line with Van Berkel and Hornemann Möller and many other authors (de Neubourg et al., 2007; Weishaupt, 2011), we do consider financial incentives to constitute a separate part of the activation strategy, that can be combined with positive and negative non-financial incentives (Weishaupt, 2011), or “increased administrative and moral pressure” and demand side measures (de Neubourg et al, 2007), notions that overlap to significant extent with our interpretation of demanding and enabling elements (see also the distinction made by Dingeldey, 2007).

### **For a clear understanding, let us take a closer look at some of the key characteristics of the three activation dimensions.**

Table 1 provides an overview of activation instruments that are typically identified as belonging to a particular activation focus. We identify demanding elements as those aspects that impose behavioural conditions on continued benefit receipt. The idea is often to make benefit receipt less attractive and ensure sufficient job search efforts and motivation. However, this is not only related to conditions to work (either in pure work for benefit or in the requirement to take up suitable job offers) but relates also to more diverse activity requirements, such as mandatory participation in activation programs, as well as the sanctions for those failing to comply with behavioural conditions. Enabling elements aim to provide recipients with the resources necessary to become self-reliant in a durable way. We see financial incentives as a separate dimension. For one, it entails a different approach from



trying to directly regulate behaviour. Also, it circumvents problems in deciding which incentives should be seen as demanding and which as enabling, which are rather disputable decisions for numerous different national contexts. For example, low benefits can be considered to strengthen the demandingness of activation policies. However, it is difficult to find an appropriate benchmark for assessing which benefits are sufficiently low to encourage labor market participation. More importantly, the actual financial incentive to work is a result of a multitude of factors (e.g. benefit levels, wage levels, earnings disregards, back-to-work bonuses, tax treatment, etc.). Indicators of financial incentives should try to gauge the interaction between relevant measures.

**Table 1. Examples of types of activation instruments**

Demanding	Enabling	Financial incentives
<ul style="list-style-type: none"> <li>• Activity requirements (e.g. registration with PES, job search criteria, mandatory participation in ALMP programs, workfare)</li> <li>• Reasonable job definition</li> <li>• Monitoring and sanctions</li> <li>• ...</li> </ul>	<ul style="list-style-type: none"> <li>• Training courses</li> <li>• Provision of work experience and work skills</li> <li>• Job counseling</li> <li>• Psycho-social counseling</li> <li>• Other bridge services (e.g. child care, infrastructure)</li> <li>• ...</li> </ul>	<ul style="list-style-type: none"> <li>• Benefit levels vs. wage level</li> <li>• Level of minimum wage</li> <li>• Earnings disregards</li> <li>• Back to work bonus</li> <li>• Preferential tax treatment</li> <li>• ...</li> </ul>

Finally, it should be noted that these dimensions are in fact elements (see Eichhorst and Konle-Seidl, 2008), implying that actual policies and the activation strategy consist of combinations of various dimensions. Indeed, whereas initially countries and activation policies were represented through a mere workfare vs. enabling dichotomy (e.g. Torfing, 1999), it has gotten more and more recognized that activation in the brunt of countries is no or-or story, or in the words of Eichhorst and Konle-Seidl (2008, p. 18) “the widely received dichotomy ... (human capital formation vs. workfare) is overridden in the concrete design of specific policies”. We return to the issue of how activation strategies combine a diversity of elements in section 5.



## 3. Operationalization and data

### 3.1. Data

This paper draws on data collected in CSB-MIPI, an expert sourced data base on minimum minimum income protection provisions for different target groups in 25 EU countries three US states (see Van Mechelen, Marchal, Goedemé, Marx, & Cantillon, 2011 for a detailed description). CSB MIPI contains standard simulations of net disposable income different family types in various income situations, as well as information on characteristics of the schemes covered, as well as on the prevalent activation instruments.

Table 2 provides an overview of the information on activation gathered in the 2012 questionnaire.

The present paper builds on the 2012 information and focuses on 17 EU countries and three US states, i.e. countries for which information on each of the relevant indicators is available in the 2012 wave (see 3.2). In order to gauge the financial incentives to work we focus on one specific model family: a 35-year old single person. We compare three income situations: social assistance, part time minimum wage employment and full time minimum wage employment. Simulations of net disposable income take account of income and local taxes, social insurance contributions and relevant benefits, such as housing and heating allowances and child benefits.

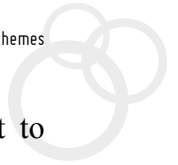
**Table 2. Aspects of conditionality covered in the CSB-MIPI questionnaire**

<b>General information</b>	
<b>1. Time limits</b>	Present in social assistance system + procedures for renewal of benefit
<b>2. Sanctions</b>	Specification (reason and severity) Indication of frequency of implementation Discretionarity
<b>3. Activation programmes</b>	Most prominent activation programme per type for minimum income recipients

	<p>Short description</p> <ul style="list-style-type: none"> <li>• Principal objectives</li> <li>• Target group</li> <li>• Mandatory</li> <li>• Duration</li> <li>• Government level</li> <li>• Number of participants</li> </ul> <p>Total number of social assistance recipients participating in activation programmes</p>
<b>4. Use of standardized profiling systems within minimum income scheme</b>	Description

<b>For type cases: single healthy 35-year old adult<sup>a</sup></b>	
<b>1. Reasonable jobs</b>	<p>National framework</p> <p>Criteria</p> <p>Discretionarity</p>
<b>2. Activity requirements</b>	<p>Specification (type, content, , timing)</p> <p>Discretionarity</p>
<b>3. Most likely active labour market programme</b>	<p>Description</p> <p>Duration and remuneration</p> <p>Standard simulation of net disposable income and income components upon participation in programme</p>
<b>4. Benefits and policies upon transition from social assistance receipt to part time minimum wage employment</b>	<p>Description</p> <p>Standard simulation of net disposable income and income components upon transition to part time minimum wage (MW) employment</p>
<b>5. Benefits and policies upon transition from social assistance receipt to full time minimum wage employment</b>	<p>Description</p> <p>Standard simulation of net disposable income and income components upon transition to full time minimum wage employment</p>
<b>6. Care (services in-kind)</b>	Description

This information was also gathered for the type case of a lone mother with a young child



Of course, there are some problems when using the information from this dataset to compare activation measures across countries. For one thing, minimum income schemes are particularly difficult to compare as they tend to be rather decentralized. Actual legal requirements are often defined only in broad terms, as a case by case approach or a local approach tailored to the local socio-economic reality is favored. We have addressed these problems by selecting a large city in each country, and by defining for some questions an (admittedly broad) typical case, it is a 35 year old healthy man. Despite these efforts, for some countries this approach is not sufficient for a representative image. In some countries, like for instance Norway and Sweden, a case by case basis is profoundly institutionalized. In others, local guidelines are of more importance, yet within country variation is large. In countries such as Germany and Belgium, there is no actual national activation strategy; what we represent is rather the activation strategy that prevails in respectively Cologne and Antwerp.

Another limitation of the CSB-MIPI dataset is that the questionnaire was directed towards country experts<sup>2</sup>, whereas the implementation of conditions and the selection of social assistance recipients into activation programmes is often a street-level affair. Therefore, indications for actual implementation (e.g. sanction rates and ALMP participation rates) could not always be provided, hindering our attempt to gauge *real* activation measures. Second, as far as indications for implementation of activation measures are available, they are based on national sources, and therefore not comparable between countries.

Nonetheless these shortcomings, the gathered information on conditionality expands the existing body of knowledge on activation strategies for social assistance recipients considerably. Previous research indeed is mainly based on observations in just a handful of European states. An important exception is the broad-based study by Immervoll (2009) that did take stock of the responsibilities of social assistance recipients across OECD countries. Our questionnaire broadens its scope by extending it beyond indicators of statutory policy to, be it very tentative, indicators of actual implementation. Moreover, we also include information on enabling policies, such as the range of available active labour market programs and their contents.

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<sup>2</sup>The same experts who provided the calculations for the model family simulations. For more information on the CSB-MIPI database, including the list of participating experts, see Van Mechelen et al. (2011).

## 3.2 Operationalization and coding framework

### a) Leading examples: Hasselpflug 2005 and Venn 2012

In order to summarize, present and assess this qualitative information on non-financial activation instruments, we follow an approach proposed by Hasselpflug (2005) and more recently, by Venn (2012).

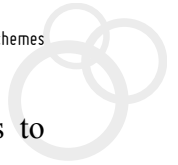
Both authors aim to systematically gauge and chart the variation in eligibility criteria within unemployment insurance schemes across Europe and the OECD. Therefore, they score the inclination of countries towards strict obligations and conditions, for various instruments (i.e. regulations), such as the strictness of sanctions, of suitable job criteria and availability for work requirements. More precisely, for each relevant indicator, they assign a score to a country, that captures how strict –comparatively speaking - the country’s regulation with regard to this specific criterion is. The score is awarded based on a coding framework that takes account of theoretical expectations and the variation between countries on each instrument. Based on sub indicators, they construct an overall index or ‘strictness score’. In fact, they construct a composite indicator (in line with for instance the OECD EPL index) in order to find relevant rankings of countries on their inclination towards strict eligibility criteria, as well as to relate the overall strictness of these combinations of eligibility criteria to other characteristics of the unemployment insurance scheme.

In this paper, we follow a similar approach. Although Venn’s approach partially entails a loss of information, it has a number of advantages. First of all, given the broad sample of countries, it allows for a comparative overview that is both easy to interpret and to present. Second, it allows for a systematic assessment of the various dimensions in combination. However the awarding of scores is of course ultimately subjective. It is for this reason that the next section clearly documents the coding framework.

### b) Operationalization of a country’s emphasis on demanding and enabling elements: selection of instruments and coding framework

For each dimension, we construct an index that captures a country’s emphasis on this particular element of the overall activation strategy. In line with Hasselpflug (2005) and Venn (2012), we first select per activation dimension instruments that can be meaningfully compared to assess differences in activation stance. Instruments are selected based on whether the extent and direction of their contribution to a particular dimension is clear and, more





importantly, whether the interpretation runs similar for all countries. The next step is to prepare for each instrument a coding framework.

Information on how to convert qualitative information into scores is relatively limited, although it is often done (see for instance the OECD EPL index, Gough, Bradshaw, Ditch, Eardley, & Whiteford, 1996; Reibling, 2010). Most often, scholars focus on the quantitative elements of regulation and rescale this information into scores (for instance the number of waiting days for social protection payments in the index by Esping-Andersen, 1990; see also the review by Pintelon, 2012). Here, we follow the approach of Hasselpflug and Venn, that aligns to some extent to the OECD construction of the Employment Protection legislation index (see also Venn 2009) and that relies on a set of rules outlined by the researcher in a coding framework, on which thresholds are used for the assigning of scores. Also in line with these contributions, we sum these scores into an overall indicator. Of course, in essence these scores are ordinal data, but, in line with the OECD EPL index (2013) we do sum these following the interpretation that they all contribute to the same dimension. However, the aggregate indices should be seen as an indication of comparative differences in emphasis, and certainly not as stark quantifiable differences. We address equal weights to the various sub indicators in order to eliminate another subjective element in the construction.

Table 1 provides an overview of the indicators used to operationalize each dimension, and the rules employed to assign scores<sup>3</sup>. In what follows, we discuss the rationale for selecting these specific indicators in order to operationalize the selected dimensions. The rules for assigning scores are inspired by Venn (2012) and Hasselpflug (2005) and aim to capture the variation depicted in our data as good as possible.

***Demanding elements are defined as those aspects that impose behavioural conditions on continued benefit receipt. Most countries require that minimum income recipients sign integration contract and register with the public employment service. Active job search general expected, although actual stipulations of the number of required applications certain period are rare. Also, in the large majority of countries minimum income required to take up suitable job offers, and take part in training and employment when offered. However, within the national or local legislative framework or guidelines, requirements are only seldom stipulated detailed enough to get a grip on actual***

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<sup>3</sup> It should be noted that the scores awarded should still be revised by country experts.

Therefore, we do not focus on these requirements themselves but select instruments give an indication of the importance attached to and the stringency of these focus on the characteristics of what is seen as a reasonable job as it shows to what type more direct behavioural requirements should lead to. Also, we assess how severe are for activation related infringements and whether there are time limits (it is whether recipients are forced to be able to be self-sufficient within a specific time frame). The reasonable job requirement is, in line with Hasselpflug and Venn, assessed from three different perspectives, i.e. whether the definition allows for some occupational or immunity, whether expectations with regard to geographical mobility are high and there are, besides these, other valid reasons to refuse a job. The lower the number of characteristics of a reasonable job, the higher the instrument is scored on the dimension. The exact thresholds are presented in



Table 3, and are mainly in line with Hasselpflug and Venn (who use a similar indicator), yet adapted to a minimum income context. The severity of the sanctions, as interpreted along the amount and duration of the reduction or suspension of the benefit, are scored as being more demanding, the higher the amount of the reduction and/or the longer the duration. We only look at the most severe sanction possible for the first activation related infringement. Also the presence of time limits is interpreted rather straightforwardly, with a higher score when time limits are present.

The *enabling elements* include those aspects that aim to provide minimum income recipients with the resources to become self-sufficient. So far, results of empirical studies into the beneficial effects of various types of active labour market programmes have been mixed. Results vary according to inter alia outcome measures, target group and business cycle (Card, Kluve, & Weber, 2010; Nordlund, 2011; Venn, 2012). Nonetheless, it is acknowledged that training represents the largest commitment to investment in human capital (Bonoli, 2009). To the extent that human capital is more and more needed to ensure durable employment on the first labour market, this can be assessed as the most enabling way to lead minimum income recipients to self-sufficiency. Therefore, the coding framework awards a higher score on the enabling dimension when the most likely activation program available to a minimum income recipient concerns a form of training. Nonetheless, other types of program may be useful as well, for instance through preventing deterioration of previous investment in human capital (Bonoli, 2009). In addition, it has been argued that a diversified range of activation programmes accessible for minimum income recipients can be beneficial, as it points to the institutional capacity to provide personalised services (Goerne, 2012). Therefore, the coding framework interprets a wider range of available types of programs as a higher chance for experience relevant to the needs of the minimum income recipient and assesses the presence of training within the available range as contributing more to an enabling focus, although this is admittedly a crude measure for personalised services. The range of social services available for minimum income recipients is included as it gives an indication of the additional efforts made to help minimum income recipients in getting their lives back on track (so-called bridge services, see Weishaupt, 2011). In fact, for a target population confronted with multiple problems, additional support, that is not necessarily work-related, can be of paramount importance in (re-)gaining self-sufficiency. The questionnaire presented the country experts with a list of ten relevant bridge services (including psycho-social support, housing support, and leisure activities, but also health care), and asked how likely minimum income recipients

in a large city were to receive these. The coding framework only takes account of the services when a minimum income recipient would be likely referred to it if there was a need.



Table 3. Coding framework

	Item	Score	Description
Demanding	Demands on occupational mobility <sup>a</sup>	1	Formal occupational criteria to refuse job offers
		2	No explicit occupational criteria, though claimant's skills and qualifications are taken into account
		3	No occupational criteria to refuse job offers
	Demands on geographical mobility <sup>a</sup>	1	Max 2 hours commuting time or distance of 30 kms
		2	More than 2 hours commuting time or distance of 30 kms
		3	No criteria to refuse job offers
	Other valid reasons for refusing job offers <sup>a</sup>	1	More than one other reason
		2	One other reason
		3	No other reason
	Sanctions (based on most severe sanctions for first activation related infringement)	1	Benefit reduction of less than 50%
2		Benefit reduction of more than 50% (incl. suspension or termination) during 1 month max	
3		Benefit reduction of more than 50% during more than 1 month	
Time limits	1	Eligibility/benefit levels unrelated to duration	
	2	Benefit levels related to duration	
	3	Time limit on eligibility	
Enabling	Range of available types <sup>b</sup> of ALMP	1	Less than 3 types, none of which includes training
		2	Less than 3 types, of which one includes training
		3	A variety of three types of ALMP (includes training)
	Care	1	Less or equal to 3 out of ten services available and likely <sup>c</sup>
		2	4 – 6 services out of ten available and likely <sup>c</sup>
		3	7 – 10 services available and likely <sup>c</sup>

<sup>a</sup> Reasonable job criteria are rescaled to one reasonable job sub indicator, with equal weight to each of these three sub indicators (i.e. occupational criteria, geographical criteria and other reasons); <sup>b</sup> We distinguish between training, job creation in the public sector and work experience in the private sector (mainly through subsidized employment); <sup>c</sup> We distinguish between advisory services in financial matters, housing support, psycho-social support, job counseling, infrastructural support in finding a job, legal assistance, health care, child care, transport and leisure.

The final dimension that we focus on as a relevant element of the activation strategy targeted towards minimum income recipients, are the *financial incentives* beneficiaries face to take up employment. The financial incentive indicator draws on the ratio between net disposable income of a minimum wage earner and a social assistance recipient (based on standard simulations). This indicator takes account of specific benefits that aim to encourage the transition from social assistance into the labor market (e.g. earnings disregards for part-time work).<sup>4</sup>

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<sup>4</sup> Focusing on the actual level of financial incentives rather than on qualitative information on systems of earnings disregards or back to work bonuses, makes a further split into positive and negative incentives (Weishaupt, 2011) – in our view – redundant, as it captures the combined effect of instruments that are commonly classified as positive incentives (such as high minimum wages, low taxes, in work benefits) and negative financial incentives (such as low benefits). This operationalization allows to sidestep the rather normative discussion of positive versus negative incentives (see Knotz, 2012 for a discussion on minimum wages), and focuses on those measures more or less directly pertaining to minimum income protection recipients (for instance including back to work bonuses and earnings disregards, but not nonwage labor costs).



## 4. Dimensions of activation in minimum income protection schemes

### 4.1. Demanding elements

Figure 1 shows the degree to which activation policies for minimum income protection claimants can be considered to be demanding. This indicator is based on 5 sub-indicators. The first three sub-indicators refer to the reasonable job criteria: demands on occupational mobility, demands on geographical mobility and other valid reasons to refuse a job<sup>5</sup>. Together these 3 indicators represent the degree to which social assistance claimants can refuse job offers<sup>6</sup>. A fourth indicator refers to the strictness of sanctions for activation related infringements, e.g. not accepting a referral to an activation measure, not attending mandatory interviews etc. We focus on the most severe sanctions for first infringements. Finally, we also include an indicator on time limits, as such limits explicitly indicate the expectation that beneficiaries have to be self-sufficient within a specific time period.

As to reasonable job criteria, social assistance claimants appear to have little valid reasons to refuse a job in Austria, the Slovak Republic, the United Kingdom, the Netherlands, the United States, Romania, and Belgium. In most of these countries, minimum income legislation lacks any definition of jobs or conditions under which employment cannot be considered reasonable. This may mean that social assistance claimants have to accept any job offer. However, it may also mean that the decision upon reasonable job requirements is left to the discretion of local welfare offices or social workers, and that there is in fact large variation between municipalities in the strictness of reasonable job requirements. Arguably, this is particularly true in countries that have a tradition in decentralising social assistance, e.g. Austria and Belgium (see Van Mechelen & De Maesschalck, 2009). At the other end of the

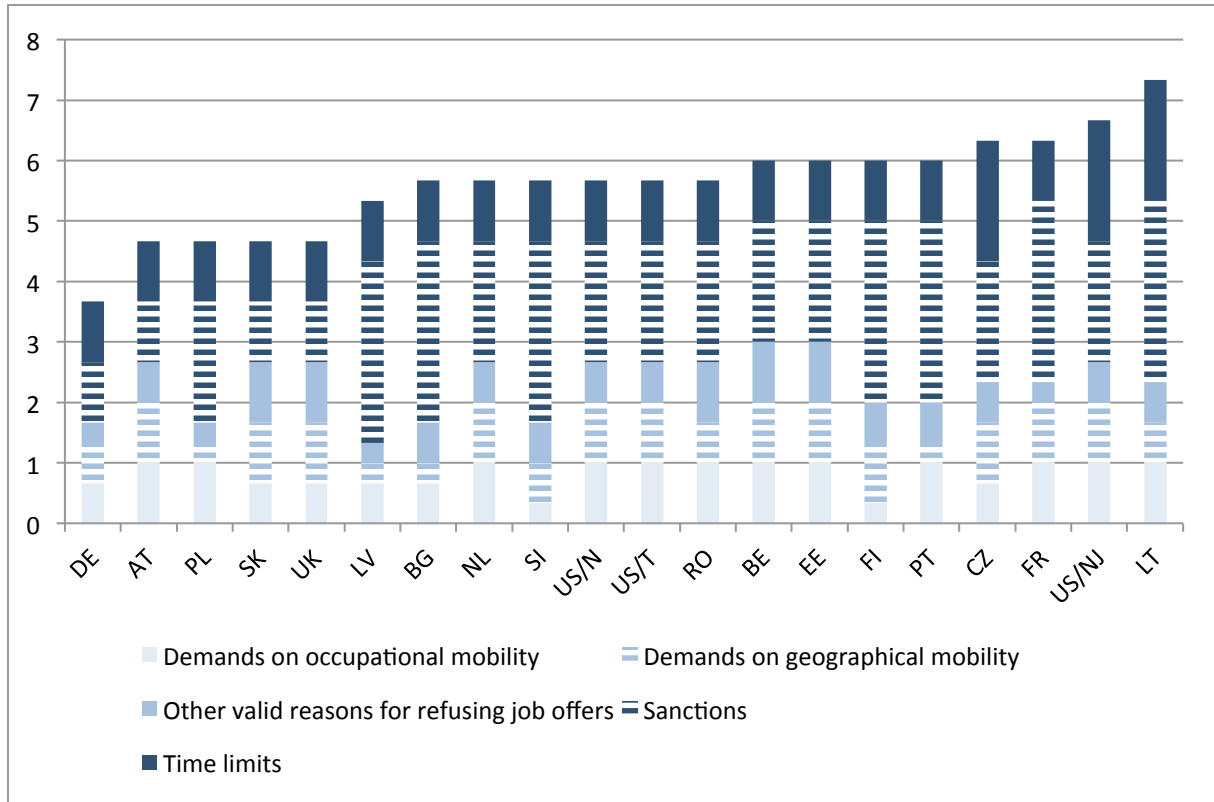
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<sup>5</sup> In line with Venn, we only take characteristics into account that define reasonable jobs more closely than standard legal jobs. In other words, we assume that all countries will only see legal jobs as reasonable, so at least remunerated at the level of the minimum wage, respecting sectoral agreements if these are legally applicable, etc.

<sup>6</sup> As the first three indicators should be considered together, they are scored from 0.33 to 1, so that the sum varies from 1 to 3 like for all other indicators.

spectrum, benefit recipients in Latvia<sup>7</sup> can appeal to geographical reasons, occupational restrictions and a lack of child care (in case of lone parents) to refuse job offers.

Figure 1. Demanding elements: scores and overall emphasis, 2012\*



\*See table 3 for coding framework  
Source: CSB MIPI

Sanctions for activity related infringements vary from benefit reductions for limited periods of time to benefit terminations and the impossibility to re-apply for several months. The latter is, for example, the case in Lithuania and Latvia. In countries like Finland, Slovenia, Bulgaria and Portugal social assistance recipients that do not comply with activity requirements may also see their benefit reduced by 100% for a considerable period of time (in Bulgaria up to 24 months). In France the maximum reduction rate for single persons on social assistance is 80 per cent, during ultimately 3 months. Sanctions are significantly less severe in

<sup>7</sup> The legislative framework in Latvia also allows for a rather stark wage requirement, in that the wage for a particular profession may not be lower than average wage reported for that profession. However, the survey used to calculate average wages is no longer carried out, effectively diminishing the protective capacity of the reasonable job definition.





Austria and Germany where benefits are reduced by a maximum of 25 per cent, respectively 30 per cent for a period no longer than 2 to 3 months.

Most countries do not impose time limits on social assistance claimants. Entitlement tends to continue as long as need persists. However in some countries full social assistance entitlement is finite. In Lithuania benefits are severely reduced after 36 months of benefit receipt; in the Czech Republic the amount payable diminishes already after 6 months of social assistance. In the US time limits are even more drastic. TANF eligibility fully stops after 60 months. However, in Figure 1 Nebraska and Texas rank quite moderately as the focus is on single person households. Families without children are in Texas only entitled to food stamps provided by the SNAP-programme where there are no such time limits. In Nebraska and New Jersey they receive state level assistance on top of food stamps. The legislative framework on state level assistance in Nebraska does not mention time limits, at least not in the county of Lincoln. In New Jersey state level assistance is however modelled on the TANF program, and likewise employs a five year life time limit.

Taking account of the three sub indicators, the overall picture is that social assistance schemes are most demanding in Lithuania, the Czech Republic, New Jersey and France. In the first three countries severe sanctions for activity related infringement coexist with time limits on full benefit receipt. The countries that rank low on conditionality are Austria, Germany, Slovakia and the United Kingdom<sup>8</sup>, where sanctions are much milder but also Poland.

A limitation of the above ranking is that statutory requirements regarding reasonable job offers and the legal toolbox for sanctioning are in fact only relevant to the extent that behavioural requirements are actually monitored and sanctions really implemented. The ideal indicator of how demanding activation strategies are, should therefore take account of actual implementation. However, comparative data on sanction rates or the frequency of monitoring are not readily available. Benefit units vary across countries (e.g. individualized versus household entitlements) which make relevant administrative data often incomparable (De Deken & Clasen, 2011). In addition, sanction rates are mainly implemented at the local level, and aggregate national figures are not always collected. Countries that publish sanction rates in sufficient detail are the US states, the United Kingdom and Germany, and somewhat less detailed, Finland. For Romania and Portugal, the respondents were able to provide a proxy,

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<sup>8</sup> Starker conditional elements are expected in the near future as a result of the turn toward the Universal Credit, a benefit that will eventually replace large part of the existing means tested benefits.

i.e. the number of suspended MIG records. For some other countries, Estonia, Austria, Belgium, the Netherlands and Bulgaria, data refer to respondent's judgement (based on interviews with social workers, national debate or, sometimes dated, national research reports). In some countries this may point to a lack of interest in the monitoring of minimum income beneficiaries, but it may also be a consequence of decentralization. Because of these difficulties, it is impossible to include implementation indicators in the overall score. However, Table 4 does summarize the information that is available in the MIPI database *with the qualification that sanction rates are not defined evenly across countries*. This table serves to add some detail to the above discussion. In addition, Table 4 provides information on legal requirements regarding the frequency of monitoring, if such is stipulated.



**Table 4. Sanction rates and formal monitoring requirements**

	Share of sanctioned benefit recipients among claimant population <sup>a</sup>	
AT	Low	n.a.
BE	Low	Locally decided. Likely in the municipality of Antwerp
BG	Low	n.a.
DE	Jan. 2012: 3.4% of able-bodied recipients, 4.9% of able bodied recipients without work	Number stipulated in integration contract)
EE	Rarely	If registered with PES, follow up by PES once a month
FI - LMS	2011: 61 850 cases per year sanctioned (double counts possible) Comparison: 207852 recipients in 2011	n.a.
LV	n.a.	regularly checked by PES
NL	2004: 57,600 benefit sanctions Comparison: 363000 benefits	n.a.
PT	2.3% of cases were suspended.	n.a.
RO	No data on sanctions. Proxy: Suspended MIG records in June 2012: 3.7%. First quarter 2012: 14.1% of the existing files suspended	n.a.
SE	n.a.	Part of monthly check-up of integration contract
SI	n.a.	PES advisory meetings every 15 days
SK	n.a.	Follow up by PES at least once a month
UK	August 2011: 151 000 sanctions Comparison August 2011: 1 203 700 recipients	Usually checked every 2 weeks, 2-3 job seeking steps per week
US_N	n.a. TANF: 2010: 1.8% of total caseload	TANF: Job search is a work related activity, and counts towards the required number of hours of work related activities

	(see note)	
US_NJ	n.a. TANF: 2010: 6.5% of total caseload (see note)	TANF: Job search is a work related activity, and counts towards the required number of hours of work related activities
US_T	n.a. (see note)	TANF: Job search is a work related activity, and counts towards the required number of hours of work related activities. Recipients are required to maintain a daily log, to be submitted every week, detailing the job search activities.

Note: alternative data for the US (incl. Texas) illustrate the problems with comparing administrative data on sanctions rates. Depending on the exact denominator (total caseload, work eligible individuals, number of families) sanction rates may vary by over 10%. Here we show the annual data on % of total caseload, as these seem to be more in line with data for the other countries. Nonetheless, large differences remain in average number of recipients sanctioned, or total over a year, denominators, etc. Moreover, sanction rates refer to the TANF program (Temporary assistance for needy families), instead of the SNAP/GA programs.

n.a.: CZ, FR, HU, LT; PL  
Source: CSB MIPI

As shown in Table 4 job search requirements are closely monitored – i.e. more than once a month – in Slovenia, the United Kingdom and Texas. In New Jersey, Estonia, Latvia and Slovakia, too, compliance with activity requirement is regularly checked– although less frequently. In Belgium and Germany there are no formal criteria with regard to the frequency of controls. In Germany, stipulations will likely be agreed in the individual action plan, whereas in Belgium, local regulations may exist. For the remaining countries we lack adequate data on the frequency of monitoring. As already pointed out, the sanction rates in Table 3 need to be interpreted with care. Nonetheless, the high numbers for Finland, the Netherlands and the United Kingdom (and possibly the US, see note to table three) do seem to suggest that demanding elements may be especially relevant in these countries.

Tentatively linking the data on sanction rates and monitoring to the statutory definitions of reasonable job requirements, sanctions and time limits, we see that some of the countries that rank low on statutory indicators of demandingness monitor sanction rates in quite some detail (the United Kingdom and Germany), at least as far as the information is available. Although the data are partial, they do indicate that demanding elements could be (even) more relevant than indicated in figure 3, especially in the UK but also in the Netherlands, Slovenia, Finland, and possibly the US. Moreover, the small share of social assistance recipients that is effectively sanctioned in Austria, Belgium and Estonia seems to suggest that the



conditionality of benefit receipt is not overly strong, despite the lack of national legislation with regard to reasonable job requirements.

## 4.2 Enabling elements

In this paper we gauge the enabling nature of activation strategies drawing on two indicators. As already pointed out, the first indicator is based on the range of types of ALMP programs available to minimum income recipients. The second indicator measures the degree to which care is provided next to cash. An important limitation of the data (and indicators) presented here is that they do not allow to distinguish between public employment experience or public sector job creation and pure workfare programs. Differences mainly relate to presence of enabling measures and the degree to which the employment activity resembles a genuine job, and can therefore be more expected to have the aim to guide beneficiaries to genuine employments. This relates to work hours and conditions, the character of the job (relevant working skills, useful work) and remuneration. Although our data do not encompass all these elements, the information available does suggest that actual workfare programmes that aim solely to establish reciprocity within the minimum income scheme are rather rare. They are to be found mainly in the US and a limited number of Eastern European states. The most obvious example is Romania, where a member of each beneficiary family is obliged to participate in community services for the number of minimum wage hours the benefit equals. An additional punitive element is added by publicly advertising the names and the schedule of this work requirement. In the US, beneficiaries are obliged to participate a certain number of hours in job related activities. These can range from genuine unsubsidized employment (at normal wage, eligible for minimum income benefit through earnings disregard, depending on the number of hours) to vocational training. When a beneficiary does not reach the required number of hours per week, he or she must make up for the lacking hours by participating in community services. Recently, also in the Netherlands, the possibilities for municipalities to ask for ‘something in return’ were widened. In some other countries, the line between public sector job creation and workfare has gotten very thin. Remuneration for employment is offered, but at a very low level, barely enough to cover costs related to employment (e.g. clothes and commuting). Relevant examples are the one euro jobs in Germany and certain employment programs in Finland.

As shown in Figure 2, most countries provide a set of activation programmes that include public sector as well as private sector job creation and training. The most common active

labour market programme for minimum income recipients is a form of subsidized (mainly public sector) employment. In France training only plays a marginal role in the activation of minimum income recipients. In the United Kingdom, Nebraska, Texas and Romania the range of ALMP is more limited than in most countries as they lack subsidized public sector employment; Bulgaria and the Czech Republic have no subsidized private sector employment schemes in place.

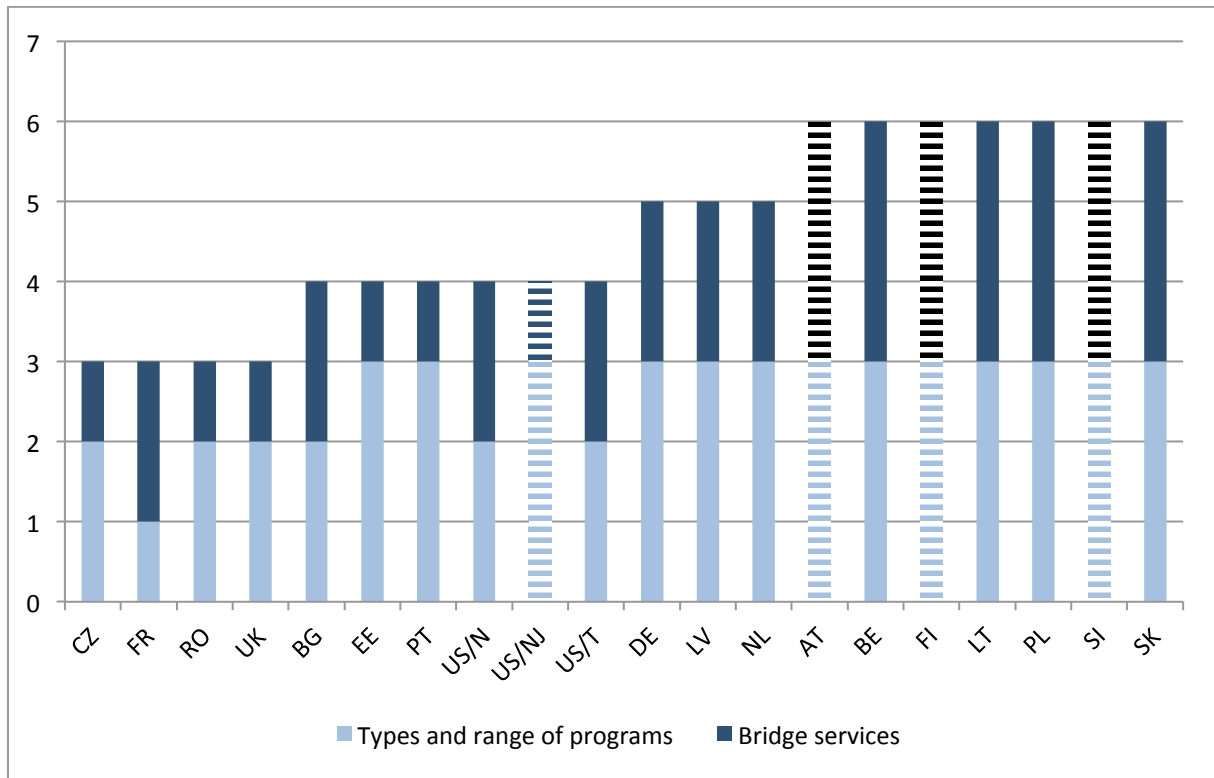
Figure 2 also provides an extra indicator of the prominence of training. The striped bars indicate countries where the active labour market programme that is most commonly used for social assistance recipients entails a strong training component. Only in a few countries is training a significant component of the activation programme that is most likely offered to a minimum income recipient, at least in the larger cities of the countries. This is the case in Austria, Finland, Slovenia and New Jersey.

Finally figure 2 also shows the degree to which minimum income schemes focus not only on the provision of cash assistance and the participation in active labour market programmes, but also on the provision of care (e.g. housing support, psycho-social support, etc.). Providing care is a crucial element in the workings of social welfare agencies in Austria (Vienna), Belgium, Finland, Lithuania, Poland, Slovenia, and Slovakia. This means that social assistance claimants are very likely to receive help other than cash and work. On the other hand, the provision of care plays a minor role in countries like the Czech Republic, Romania, the United Kingdom, Estonia, Portugal, and New Jersey.

Considering the overall set of indicators it appears that especially Austria (Vienna), Finland and Slovenia perform very well on the enabling dimension. They provide a very broad range of activation programs of which training is the most common type. In Germany, Belgium, Lithuania, Poland and the Slovak Republic training is part of the set of activation programs provided, though it is not the most important tool. The provisions of additional services next to cash support may be seen as an extra factor contributing to the enabling dimension of activation policies. By contrast, in the Czech Republic, Romania, France, the United Kingdom and Bulgaria the enabling elements are relatively weak. The variation of types of activation is relatively limited, as is the amount of additional services provided through local welfare agencies. Finally it is noteworthy that Romania, the United States and the Netherlands have workfare-type programs in place.



Figure 2. Enabling elements: scores and overall emphasis, 2012\*



\*See table 3 for coding framework

Note: The striped bars indicate countries where the active labour market programme that is most commonly used for social assistance recipients entails a strong training component.

Source: CSB MIPI

What holds for the demanding dimension also applies to the enabling elements: the actual implementation of existing arrangements matters too. The share of benefit recipients that effectively participates in ALMP is an important indicator of the relevance of the various ALMP available. Here again, implementation data are available for only a limited set of countries and scarcely comparable<sup>9</sup>. Nevertheless, table 4 summarizes the information that is at hand. The number of minimum income recipients participating in active labor market programs appears to be relatively high in the United Kingdom and the United States, i.e.

<sup>9</sup> This is also because in some countries ALMP are accessible to both UI recipients and minimum income beneficiaries, whereas the administration does not provide participant numbers according to benefit type. This is for instance the case in Finland and a number of Eastern European countries.

relative to the size of the claimant population<sup>10</sup>, whereas it is quite low in France. These figures confirm the picture of France as a country where active labor market programs are a less important tool for the social integration of minimum income recipients. This is apparent not only from the low participation rates but also from the limited range of ALMP. By contrast, in the United States ALMP appear to play a more central role in the activation strategy.

**Table 5. Participation rates ALMP**

Country	Number of participants in ALMP	Number of participants in most prominent
<b>BE</b>	Total of all <i>federally funded</i> measures in 2011: 24307 recipients → around 15% (excluding local initiatives such as training)  (In Antwerp: around 32%)	Art 60 §7: total number of beneficiaries in 2011: 22 374 → around 13.5% of RMI recipients  (in Antwerp: around 30%, equal to participation in training opportunities)
<b>BG</b>		From SA to employment: 28 943 in 2011 (cumulative) (exclusively SA recipients)  Comparison: monthly average SA recipients 2011: 47 842
<b>DE</b>	Total participants: 554,223 in 2011 (yearly average, total number in 2011: 3,033,660)  Comparison: yearly average of SA recipients in 2011 was 4,615,057  → approximately 12% of SA recipients in 2011	Arbeitsgelegenheiten (one euro jobs): 475194 SA recipients
<b>FR</b>		End 2010: CUI-CAE: about 55 000 rSa Recipients took part in this measure  Comparison: 1390000 recipients on 31/12/2011, 1410000 on 31/3/2012
<b>NL (Utrecht)</b>	3666 of the 8436 social assistance recipients in the city of Utrecht in 2011	

<sup>10</sup> However, please note that for the US the denominator of the number of participants refers to the number of compliant work eligible adult beneficiaries, due to reasons of data availability. Participation rates in Table 5 hence overestimate to some extent ALMP participation. See also note to table 4.





<b>PL</b>		Socially useful work: 49656 (2011, all unemployed) 15% of all SA recipients (2010) Public works: n.a.
<b>SI</b>	8,780 SA recipients concluded contracts and were included in activation programs in 2011 Comparison: around 68240 persons received social assistance in 2011 → roughly 13%	Development and training programs: 1,211 SA recipients. In all training related programs: 4,123 SA recipients Data refer to newly concluded contracts in 2011.
<b>UK</b>		Work programme: 370,000 in the first 5 months of the scheme Comparison: 2011= 1 610 000 recipients
<b>US/N</b>		FY 2009: average monthly number of work eligible individuals (WEI) engaged in workfare programs was 404 individuals, or 19.4 % of WEI.
<b>US/NJ</b>		FY 2009: average monthly number of compliant WEI engaged in training-related programs was 1,608 individuals, or 39.1% of WEI compliant with the work participation requirements.
<b>US/T</b>		FY 2009: average monthly number of WEI engaged and compliant in employment programs was 4,625 individuals, or 87 % of compliant WEI.

Note: data serve as indication for implementation only, and are not comparable across countries. Also, please note that for the US, the number of participants refers to the number of (compliant) work eligible adult beneficiaries, due to reasons of data availability. Participation rates hence overestimate to some extent ALMP participation. Moreover, the participation rates for the US are based on the TANF ALMP programs. Generally, SNAP recipients are expected to take part in these. See also note to table 4. n.a.: AT, CZ, EE, ES, FI, HU, LT, LV, PT, RO, SK

Source: CSB MIPI

### 4.3. Financial incentives

Figure 3 shows the financial incentive of a single person household to take up a minimum wage job<sup>11</sup>, both part time (50%) and full time. The indicator is calculated as follows:  $100 - (\text{net social assistance} / \text{net earnings at minimum wage} * 100)$ . The indicator hence reflects the relative gap between social assistance and potential net earnings, using the latter as the denominator in order to limit the range of possible values to a bounded interval (0; 100). By taking the complement we ensure that higher values reveal higher financial incentives to work.

The financial incentive to find a full time job at low pay appears to be comparatively small in countries like Estonia, the Netherlands, Finland, and Austria. In Estonia, the financial incentive for social assistance recipients to work is 1 per cent, meaning that the marginal return of leaving social assistance for a full time job at minimum wage amounts to only 1 per cent of net minimum wage. By contrast, the gap between social assistance benefits and minimum earnings is very large in Texas, Romania, Poland, and New Jersey, our indicator reaching values of 70 per cent and more. The financial incentive to work part time is in most countries much weaker. This is particularly true in Lithuania where social assistance recipients that take up a full time job at minimum wage are entitled to a social assistance top up, while those that find a part time job are not. Nevertheless, in most countries additional cash benefits for social assistance claimants entering the labour market, either through temporal earnings disregards or through genuine bonus payments, are targeted at part-time workers. Such incentives for part time work exist in, for example, Austria, Belgium, Germany, the Netherlands, Slovenia, and US.

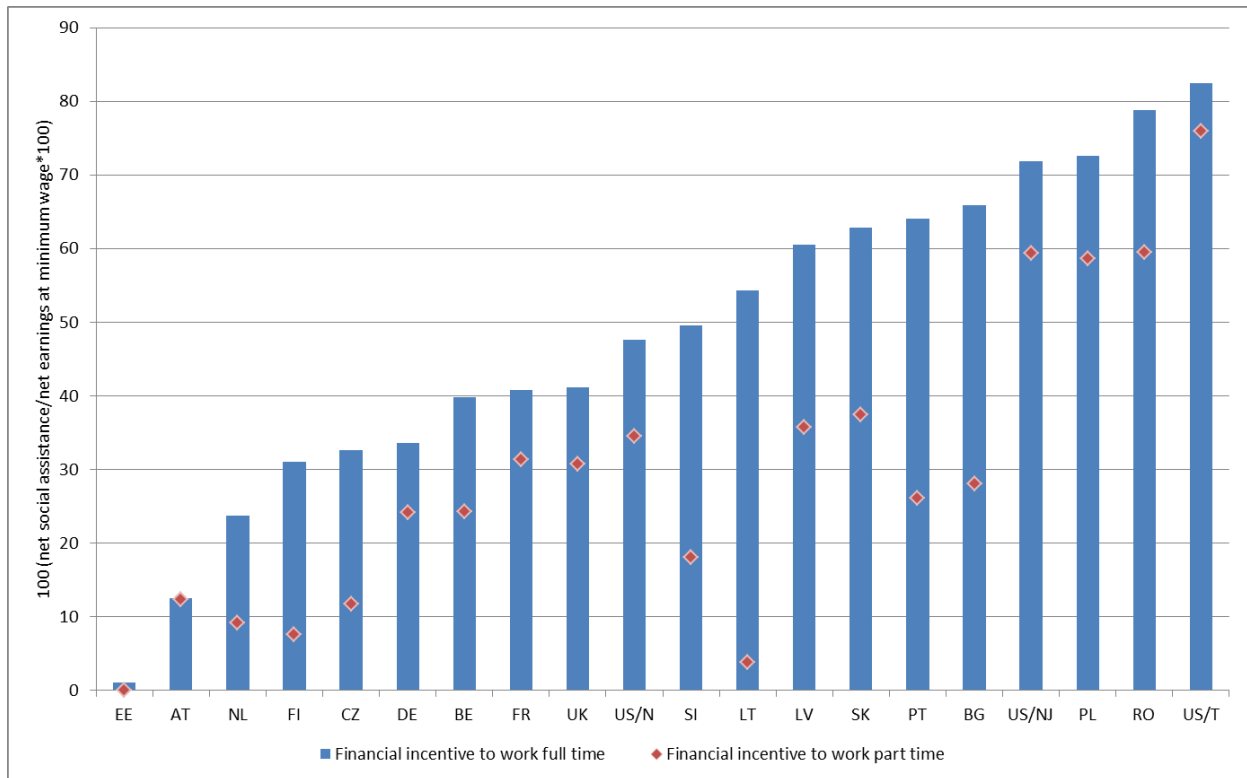
It must be noted here that taking the minimum wage as benchmark for the net disposable income a former minimum income recipient can gain from employment is rather conservative, as in many countries, the minimum wage acts as the absolute floor, above which a whole construct of sectoral minimum wages is built. Consequently, in these countries, only a very limited share of the workforce actually earns a minimum wage (see Ryckx & Kampelmann, 2012).

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<sup>11</sup> The Scandinavian countries, Italy, Austria and Germany do not have a (quasi) statutory minimum wage. For some countries it was possible to simulate the income using an approximation of the actual wage floor. For Austria, the minimum wage agreed between the social partners was used, which has almost universal coverage. For Italy and Finland, the wage floor was approximated by the sectoral minimum wage applicable in a low wage sector. For Germany, simulations are based on the minimum wage applicable in the interim sector.



**Figure 3. Financial incentives for a single person on social assistance to take up minimum wage employment, 2012**



Source: CSB MIPI

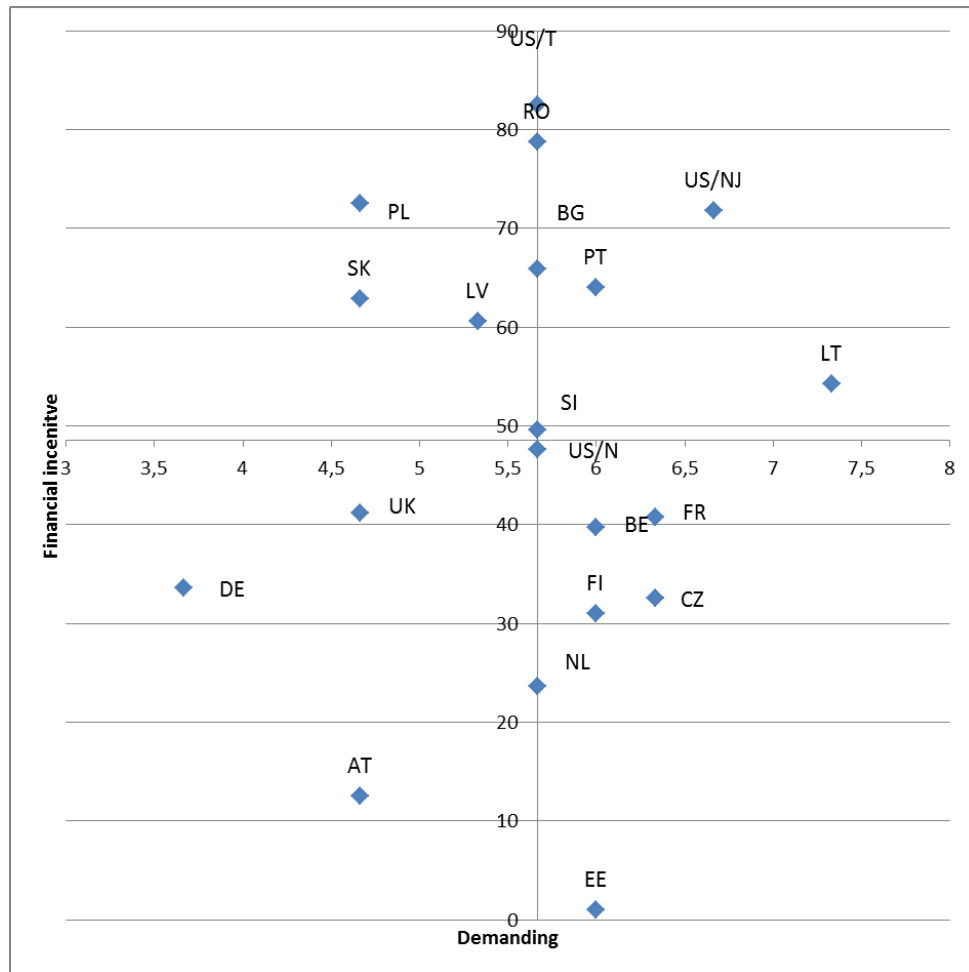
## 5. Are there trade-offs between activation dimensions?

In this paper we have distinguished between three elements of activation strategies: financial incentives, demanding elements and enabling elements. These elements have been presented not as ends of the same dimension, but as separate dimensions on their own. In this section we assess whether countries combine these elements in a systematic way. This exploratory assessment is based on a visual inspection of two-dimensional plots or the ordinal scores constructed and discussed in previous parts of this paper (see Figure 4 to 6).

The plots below confirm that the relationship between these dimensions is not particularly strong. For one thing, countries with low financial incentives for social assistance recipients to find a job are not necessarily more demanding. Some countries (e.g. the Czech Republic) do combine generous benefits as compared to wages with relatively strong demanding elements (Figure 5). However, in Germany (Cologne) and Austria (Vienna) low financial incentives are not compensated by strong work requirements. Likewise, countries with strong financial incentives to work often perform relatively weak on the demanding dimension, (see, for example, Poland and the Slovak Republic), although this is not always true (see, for example, New-Jersey).



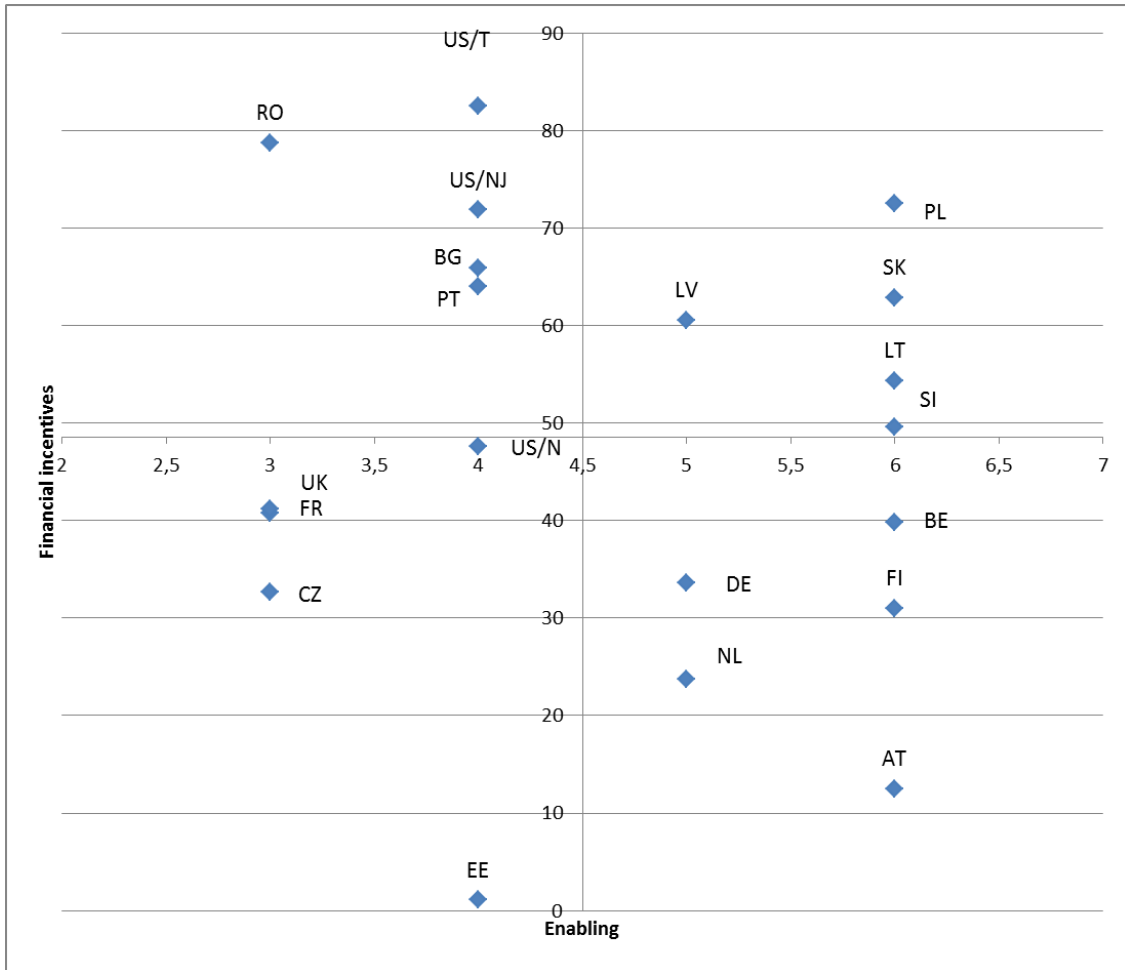
Figure 4. Financial incentives vis-à-vis overall demandingness score, 2012



Source: CSB-MIPI.

Scores on the enabling dimension too are hardly related to the size of financial incentives. Figure 5 plots the financial incentive to find a full time job at minimum wage against the overall performance on enabling elements. It appears that in some countries strong financial incentives go hand in hand with strong policies to enable social assistance recipients to become self-reliant (e.g. Poland and the Slovak Republic), while in other countries strong financial incentives coexist with to relatively low scores on the enabling dimension (e.g. Texas and Romania). Further, the emphasis on enabling elements tends to be strong in countries with generous benefits relative to wages (see, for example, Austria (Vienna) and Finland), but again there are important exceptions (e.g. the Czech Republic). The pattern in Figure 5 (in particular the right-hand side) seems to suggest that in some countries the provision of bridge services is seen as a way to compensate for relatively low benefit payments while in other countries cash and care are considered to be separate but complementary aspects of minimum income protection.

Figure 5. Financial incentives vis-à-vis overall score on enabling emphasis, 2012



Source: CSB-MIPI.

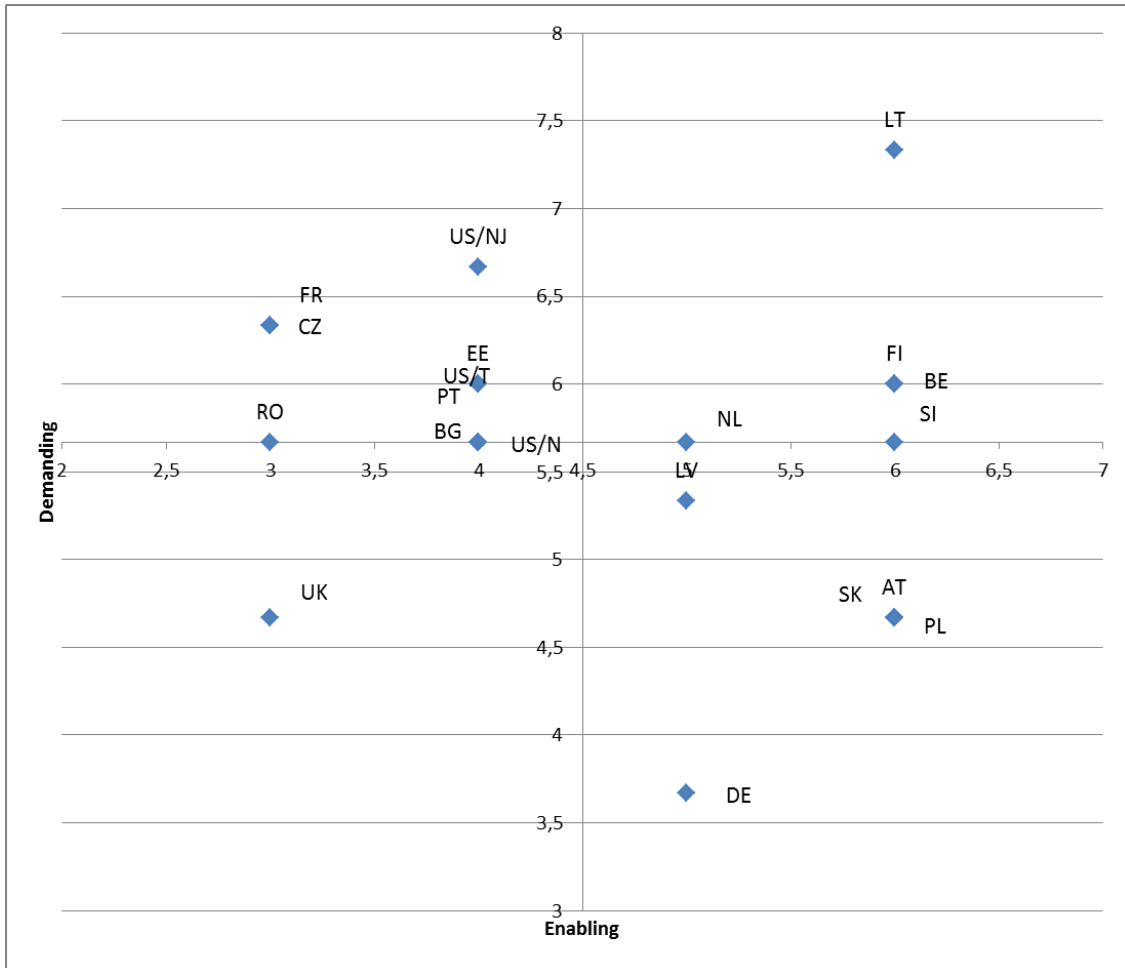
There is also little overlap between the demanding and the enabling dimension, although figure 6 does show an interesting pattern. Social assistance schemes that entail relatively little conditional elements seem to be quite enabling in the sense that the range of activation measures is quite broad, including a good deal of training, the United Kingdom being the only real exception. The reverse is, however, not true: countries where social assistance benefit receipt is highly conditional are not by definition less focused on human capital investment (see, for example, Finland).

Overall, activation dimensions do not seem to follow a clear pattern. The rudimentary classification in Table 5, based on median values, suggests that there are almost as many clusters of countries as ways to combine the three dimensions identified in this paper. It appears that



countries hold very different views on how the three dimensions – as well as the underlying policy instruments – should be combined into overall activation strategies.

**Figure 6. Overall score on enabling emphasis vis-à-vis overall score on demanding emphasis, 2012**



Source: CSB-MIPI.

**Table 5. A rudimentary classification of countries, based on three dimensions of activation\***

	Strong financial incentives	No strong financial incentives
Demanding and enabling	LT SI*	BE FI NL*
Demanding but not very enabling	BG* PT RO* US/NJ US/T*	CZ EE FR US/N*
Not very demanding but enabling	LV PL SK	AT DE
Not very demanding nor enabling		UK

\*Based on median values (scores exactly equal to median values are classified as above median: this is only relevant for the scores of BG, NL, RO, SI, US/N, US/T on the demanding dimension)

It is also difficult to distinguish geographical patterns or any correspondence to Esping-Andersen's typology of welfare state regimes (1990). As to the traditional typology of welfare regimes, it is very unfortunate that the information available in the CSB-MIPI dataset on activation policies in Ireland, Denmark, Sweden and Norway is limited. But the information on the United States and the United Kingdom suggests that there is substantial cross-sectional variation among Anglo-Saxon countries. As far as the existence of a Scandinavian world of activation is concerned, our data are inconclusive. On the one hand, the activation approach in Finland does not seem to be very different from the way social assistance claimants are encouraged to enter the labor market in a number of other EU countries. Admittedly, providing training plays a somewhat more central role, but like in Belgium and the Netherlands financial incentives are comparatively weak, while the conditionality of benefit receipt is rather strong. On the other hand, the partial data available for Sweden and Norway may suggest that activation strategies in these countries are very similar to those in Finland, especially with regard to the training issue. Data on activation policies in Stockholm and, respectively, Oslo suggest that the range of activation measures is quite broad, including a good deal of training. Moreover, reasonable job criteria, formal sanctions and time limits are quite similar to those in Finland, meaning that sanctions and reasonable job criteria can be quite strong, though there is substantial local variation. However, the CSB-MIPI data do not allow an assessment of whether the Nordic countries really constitute a separate cluster as information on the financial incentive to work in Sweden and Norway is missing as these countries lack a statutory minimum wage and were not able to provide an alternative





approximation of the absolute wage floor. In addition, both Sweden and Norway legislation allow a very high degree of local variation and case by case discretion by the social worker.

As to the geographical dimension, we see that in Western European countries social assistance benefits are comparatively generous relative to minimum wages, which in turn leads to weaker financial incentives at least in a comparative perspective - the gap between benefits and wages still amount to 40 percent of the net minimum wage in Belgium, France and the United Kingdom. But variation with respect to the demandingness among Western European countries is very strong (compare, for example, France, Belgium, the Netherlands and Finland on the one hand versus Austria (Vienna) and Germany (Cologne) on the other). Scores on the enabling dimension tend to be relatively high in Western European countries, but there are important exceptions (see France and the United Kingdom). Obviously, the only conclusion from this overview can be that the diversity in activation strategies is immense. However, this conclusion should be interpreted with due caution. First, the classification above is based on a rather crude benchmark: for each dimension countries are assessed against the median value and on the basis of that classified into two categories. Second, actual activation intensities are difficult to quantify. For example, as already mentioned, the above indicators fail to gauge the within country variation in activation strategies that often exist. Moreover, they are based on statutory requirements and take no account of actual implementation.

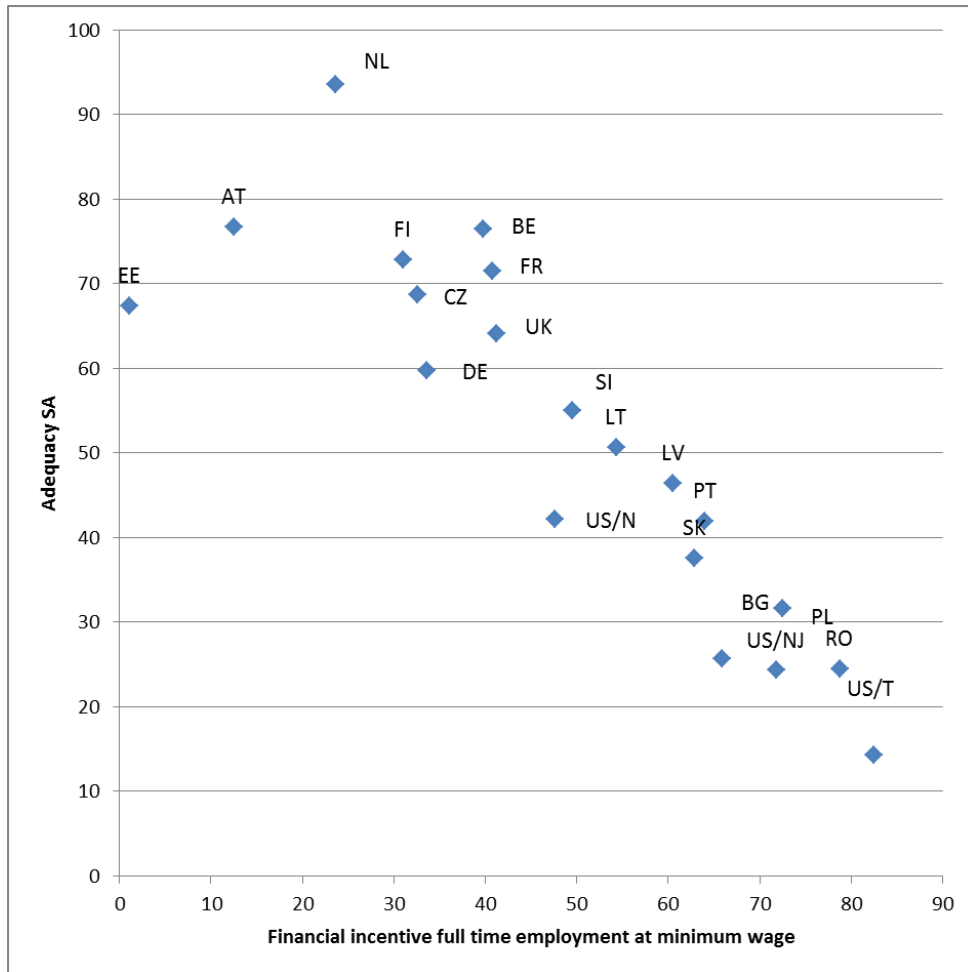
## 6. Activation strategies and the adequacy of minimum income protection

In the sections above we measured the generosity of the minimum income guarantee by comparing benefit levels and minimum wages. This indicator reflects to some extent the financial reward of entering the labour market. An alternative measure is to compare benefit levels with the poverty line (60% of median equivalent income). This measure provides an indication of the adequacy of assistance benefits to protect households against income poverty. The two concepts – the adequacy of minimum income protection and the underlying financial incentive to work – are of course closely related. The more generous benefit levels are the better they provide protection against poverty but the less attractive it is to leave social assistance. This trade-off is clearly visualized in Figure 7. This dilemma may also explain why social assistance benefits tend to be so low as compared to the poverty line. Even in the Netherlands, where social assistance benefit levels to single person households are by far the most generous, assistance payments are below the poverty line. In most countries assistance scale rates for this family type lay 30 per cent or even more below the poverty threshold, as shown in Figure 7.

Given the fact that the financial incentives are scarcely correlated to the other activation dimensions, the adequacy of social protection too shows little overlap with both the conditionality of social assistance and size of enabling elements. This means that there is no uniform activation strategy across countries that provide relative adequate benefit levels, i.e. where the gap between assistance payments and the poverty line is less than 30 per cent. As a matter of fact, activation strategies in the Netherlands, Austria, Finland Belgium and France are quite diverse (see Table 5).



**Figure 7. Financial incentives vis-à-vis the adequacy of minimum income protection, 2012**



Source: CSB-MIPI.

## 7. Conclusion

This paper set out to compare activation strategies directed to minimum income recipients in 17 EU member states and three US states. In the paper, we distinguish between three dimensions: financial incentives to work, demanding elements and enabling elements. The financial incentives dimension is measured based on the gap between net income at social assistance and minimum wage. The demanding elements aim to gauge minimum income scheme's overall tendency towards behavioural conditions on continued benefit receipt. Our indicator of demandingness focuses on reasonable job criteria, time limits and sanctions applied for activity related infringements. The enabling dimension is based on the prominence of training within the available active labor market programs, the range of ALMP and the extent of additional support provided to minimum income recipients.

The degree of overlap between these dimensions is rather limited. Especially the financial incentive dimension does not vary systematically with either the degree of demandingness or the size of enabling elements. In other words, we found little evidence of a trade-off with more demanding or enabling elements compensating for a lack of financial incentives, and vice versa. It appears that countries hold very different views on how the three dimensions – as well as the underlying policy instruments – should be combined into overall activation strategies.

Although important data were lacking to assess common benchmark cases, it is the Nordic and Anglo-Saxon countries on their overall activation strategies for minimum income recipients, the available information provides little evidence for clear geographical clusters or a clustering along the traditional demarcations of welfare state regimes. For one thing, Finnish activation strategies are not entirely different from those pursued in other countries, for instance Belgium, that is commonly classified as a conservative country. Second, financial incentives to work and the degree of conditionality embedded in the United Kingdom's social safety nets come under an entirely different category than those pursued in Texas or New Jersey.

Although this paper is without doubt an important step forward in gaining an understanding of cross-country differences in activation policies aimed at minimum income recipients, there remains an important research agenda. First, the indicators that we have used to rank countries on several dimensions of activation strategies leave some room for improvement. For example, an important missing element in the current indicators is



information on the implementation of statutory arrangements. Nevertheless, the partial information that is at hand suggests that data on actual use of sanctions or ALMP can serve to qualify data on formal regulations substantially. Also, an element that is currently missing from the demanding dimension is whether pure work-for-benefit is expected. Including this element in the overall assessment of the demanding emphasis within the activation strategy may potentially lead to more demanding scores for Romania and the US, but perhaps also in some other Eastern European countries, the Netherlands (depends on whether municipalities actually ask for something in return) and Germany. Moreover, a cross-country comparison may obscure substantial within country variation in some cases. In addition, in the present paper we have focused on activation strategies aimed at single-person households. Extending the set of indicators to other family types, especially families with children, may offer interesting additional insights. Finally, the impact of the three dimensions of activation identified here on employment outcomes is still an open question for further research. Not only their separate effect, but especially how they interact may be important here. In this regard, Immervoll and Scarpetta (2012:1) argue that ‘an effective policy strategy rests on a finely tuned balance between income support, work incentives, as well as mutual obligations and active labor market programs’. Unfortunately, evaluations taking the entire policy package into account are rare.

## 8. Appendix

### 8.1 Financial incentives

**Table 6. Gap between net disposable income at social assistance and net disposable income at minimum wage (incl. back to work bonuses), expressed as a percentage of potential net minimum wage income, for a 35-year old single, 2012**

	100-(ndi at social assistance relative to ndi at minimum wage)	
	Full-time	Part-time
AT	13	12
BE	40	24
BG	66	28
CZ	33	12
DE	34	24
EE	1	0
FI	31	8
FR	41	31
HU	58	21
LT	54	4
LV	61	36
NL	24	9
PL	73	59
PT	64	26
RO	79	59
SI	50	18



SK	63	37
UK	41	31
US/N	48	35
US/NJ	72	59
US/T	82	76

Note: ndi: net disposable income; n.a.: DK, ES, HU, IE, IT, LU, NO, SE  
Source: CSB MIPI (Van Mechelen et al., 2011)

## 8.2. Demanding

**Table 7. Reasonable job characteristics relating to geographical mobility, 2012 and scores**

Country	Geographical characteristics of a suitable job	Score
AT	No requirement	3
BE	Not defined in the minimum income legislation.	3
BG	Within 30 kms	1
CZ	No requirement	3
DE	Commuting < 2.5 hours (guideline)	2
EE	Not defined in the minimum income legislation.	3
FI	Within the area of employment (own municipality and surrounding municipalities, where people normally work in the area). Taking jobs outside this areas is expected from persons with no family, but only for a reasonably continuous job and if housing is reasonable organized.	3
FR	Commuting and working conditions are defined in the integration contract.	3
LT	Max commuting time: 3 hours	2
LV	Max 1 hour one way commute by public transport	1
NL	No requirement	3
PL	Commuting time is taken into account	1

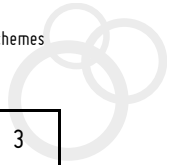
PT	Commuting: less than 25% of working time	1
RO	Commuting: max 50 km. Bonus payment for accepting job at larger distance	2
SI	< 3 hours by public transport	2
SK	No requirement	3
UK	Claimant may detail some restrictions. Social worker assesses whether these conflict with the requirement to still have a reasonable prospect of securing employment.	3
US/N	No requirement	3
US/NJ	No requirement	3
US/T	No requirement	3

Note: n.a. : DK, ES, HU, IE, IT, LU, NO, SE  
Source: CSB-MIPI

**Table 8. Reasonable job characteristics relating to occupational mobility, 2012 and scores**

AT	No requirement	3
BE	No requirement	3
BG	qualifications are taken into account	2
CZ	if the situation on the local labor market allows it, corresponding to qualification and skills	2
DE	Job must not hinder return to previous employment	2
EE	Not defined in the minimum income legislation.	3
FI	The first three months of unemployment, there is occupational/professional immunity	1
FR	No requirement	3
LT	No requirement	3
LV	Corresponding to his professional skills and proficiency in state language	2
NL	No requirement	3





PL	No requirement	3
PT	No requirement	3
RO	No requirement	3
SI	Required educational level : only one level lower than required level for appropriate employment in employment plan	1
SK	Takes into account qualifications, skills and previous practical experiences of jobseeker	2
UK	Claimant may detail some restrictions. Social worker assesses whether these conflict with the requirement to still have a reasonable prospect of securing employment.	2
US/N	No requirement	3
US/NJ	No requirement	3
US/T	No requirement	3

Note: n.a. : DK, ES, HU, IE, IT, LU, NO, SE  
Source: CSB MIPI

**Table 9. Reasonable job characteristics: other valid reasons to refuse a job, 2012 and scores**

Country	Other characteristics of a suitable job	Score
AT	Depends on child care availability	2
BE	Not defined in the minimum income legislation.	3
BG	Work conditions, are taken into account	2
CZ	If unemployed for more than a year: at least 80% for jobs with a duration > 3m, or at least 50% for a job with a duration < 3 months If unemployed for less than a year: at least 80% and at least 3 months	2
DE	Decent wage: not more than 30% below the standard level in the respective sector (guideline) In case of care responsibilities, care facilities must be available	1
EE	Not defined in the minimum income legislation.	3
FI	Child care must be available	2
FR	Working conditions are defined in the integration contract.	1

	Child care availability may be a legitimate reason for lone parents	
LT	Exempted because of child care responsibility	2
LV	Average wage offered to unemployed of the certain profession (based on official information from Central Statistical Bureau) Child care must be available	1
NL	Municipality must assess whether appropriate child care is available	2
PL	Work conditions and child care availability	1
PT	Wage: at least 10% higher than former benefit For a lone parent: less strict geographical mobility requirements	2
RO	No requirement	3
SI	At least 20 hours per week	2
SK	No requirement	3
UK	Claimant may detail some restrictions. Social worker assesses whether these conflict with the requirement to still have a reasonable prospect of securing employment.	3
US/N	Less strict requirements for lone parents	2
US/NJ	Less strict requirements for lone parents	2
US/T	Less strict requirements for lone parents	2

Note: n.a. : DK, ES, HU, IE, IT, LU, NO, SE

Source: CSB MIPI



**Table 10. Most severe sanction possible at first violation of activation measure, 2012 and scores**

	Reduction (% of benefit)	Duration (months)	Score
AT	25	2	1
BE	100	1	2
BG	100	12	3
CZ	removal from the records of the Labor Office.; end of entitlement		2
DE	30	3	1
EE	100 (Termination)	1	2
FI (LMS)	Termination (subgroup of LT recipients)	Until in ALMP/work for 20 weeks	3
FR	Single: 80 >1 person: 50	3	3
LT	Termination	6	3
LV	100 (Termination)	3	3
NL	100	1	2
PL	Termination		2
PT	100	24	3
RO	100 (Termination)	1	2
SI	100	6	3
SK	Reduction <sup>a</sup>	3	1
UK	100	2 weeks	1
US_N	SNAP:100% reduction	1	2
	GA: case closed		

US_NJ	SNAP: 100% reduction	1	2
	GA: reduction	1	
US_T	SNAP: 100	1	2

a: activation allowance will be withdrawn: amounts to 35% of total benefit (incl. activation allowance)

Note: LMS: labor market support; Finnish minimum income scheme for able bodied persons of working age. If necessary topped up by general social assistance. SNAP: US Supplemental Nutrition Assistance Program (food stamps); GA: General Assistance, US state level additional assistance.

Source: CSB MIPI

**Table 11. Time limits of minimum income receipt, 2012, and scores**

	Time limits	Scores
AT	None	1
BE	None	1
BG	None	1
CZ	Benefit reduction after 6 months	2
DE	None	1
FI	None	1
FR	None	1
LT	Benefit levels depend on benefit duration. 36–48 months: 20% reduction 48–60: 30% reduction >60 months: 40 % reduction, 100% if no children	2 <sup>a</sup>
LV	None	1
NL	None	1
PL	None	1
PT	None	1
RO	None	1
SI	None	1



SK	None	1
UK	None	1
US/N	GA/SNAP: None	1
US/NJ	SNAP: None; GA: 5 year	2
US/T	SNAP: None	1

n.a. : DK, ES, HU, IE, IT, LU, NO, SE

<sup>a</sup> Despite an actual time limit for a single adult, the time limit of LT is scored as 2, due to unclarity on whether this is a life time limit, or only applicable to single spells.

Source: CSB MIPI

## 8.3 Enabling

Table 12. Most likely active labor market programs for a single male adult, respondent's judgment, 2012, and scores

	Name	description	Duration	remuneration
AT	Step 2 Job	Personal case management: training, occupational projects, counselling	12 months, hours per week differs	No.
BE	Art 60\$7	SE, mainly public sector (no training included, local PCSW Antwerp provides start-course)	FT and until rights to social insurance are reopened (1-1.5 year)	MW
BG	From SA to employment	SE in community services (public sector)	Full time	MW
CZ	Publicly beneficial works			
DE	Arbeitsgelegenheiten	SE in order to acquire and maintain employability	12 months in 5 year period, max 30 h/w	around €1.5/h
EE	Public works (avalik töö)	Temporary low skilled jobs for unemployed	Max. 10 days (50 hours) per month	MW
FI	Trainee work	Internship	12 months, normal working hours	Activation suppl./ maintenance all.
FR	CUI CAE	SE: public sector	Max. 5 years, max 35 h/w	MW
LT	work for social	community services	n.a.	work for benefit

	assistance benefit			
LV	Temporary Public Works	SE, public sector	4 m, 40 h/w, 4 weeks/m	110LVL/m (< MW)
NL	Most likely employment experience program			
PL	Socially useful work	SE (public sector): work in charity or public units providing services to local community	10h /w, 40h/m	Minimum PLN 7.30/h (< MW)
PT	Contrato Emprego-Inserção +	SE (public sector): Socially useful activities which satisfy local and regional needs (non-profit sector)	Max 12m, 8h/day, 40h/w, 160 h/m	Social Support Index (IAS): 419,22 Euros
RO	Community work			Work for benefit
SI	On the job training	training	1-2 m, 8 h/d, 40 h/w	€3/h
SK	community services, voluntary work	SE, public sector		Activation all.
UK	Work programme, after 52 weeks.	Content differs		Generally, no
US/ N	Community work of <i>Employment First</i>	Work experience	Counts towards required total of hours of work related core activities	No
US/ NJ	Training component of <i>Work First New Jersey</i>	Vocational training	Idem	No
US/ T	Community work of <i>Choices</i>	Work experience	idem	No

Note: US States: Wide range of ALMP and activity requirements. One must participate in job related activities for a stipulated number of hours per week (usually less hours for lone parents with young children). The brunt of recipients works on the first labour market, still receiving TANF through the earnings disregard. The most common remaining activities to reach the hour requirement are vocational training and community services, both of which do not entitle to an additional remuneration.

MW: minimum wage, SE: subsidized employment, FT: full time. Shaded programs include significant training component.

Source: CSB MIPI (Van Mechelen et al., 2011)

Table 13. Additional services available to minimum income recipients living in cities, 2012, and scores

	AT	BE	BG	CZ	DE	EE	FI	FR	LT	LV	NL	PL	PT	RO	SI	SK	UK	Neb	NJ	Tex
Advisory services in financial matters																				
Housing support																				
Psycho-social support																				
Infrastructure (Internet, PC's,...)																				
Job counselling																				
Legal assistance																				
Health care																				
Child care (free/reduced rates, priority access)																				

Transport																				
Leisure																				
Count: only likely	7	8	4	3	6	3	7	5	7	5	5	9	2	0	8	8	1	4	3	4
scores	3	3	2	1	2	1	3	2	3	2	2	3	1	1	3	3	1	2	1	2

	Likely/right
	Discretionary/rare
	Not provided

n.a. : DK, ES, HU, IE, IT, LU, NO, SE  
 Source: CSB MIPI





**Table 14. Most relevant ALMP for MIP recipients per category, respondents' judgment, 2012, and scores (range of types of programs available to MIP recipients)**

Country	Training	Private sector employment programme	Public sector job creation/employment program	Score
AT	Case management project: Step2Job			3
BE	Organized by local PCSW or if registered with PES	Art 60\$ 7 (other: art 61, SINE, ACTIVA, insertion interim, transitional employment)		3
BG	Development program		From Social Assistance to employment:	2
CZ	Retraining		Publicly beneficial jobs Socially beneficial jobs	2
DE	Berufliche Weiterbildung (further training)	Eingliederungszuschüsse (grant for labour market integration)	Arbeitsgelegenheiten	3
EE	Labor market training (Tööturukoolitus):	Wage subsidy (palgatoetus) Work practice (apprenticeship)	Public work	3
FI	Labour market training and vocational training	Trainee work: work experience for unemployed	SE (not exclusively public sector) Rehabilitative work: work experience	3

FR		Contrat unique d'insertion – Contrat initiative emploi (CUI-CIE)	Contrat unique d'insertion – contrat d'accompagnement dans l'emploi (CUI-CAE)	1
LT	Vocational training	Support for the acquisition of professional skills	Public works	3
LV	Acquisition of informal education with coupon method	Pasākums noteiktām personu grupām (PNPG) - Measure for unemployed representing disadvantaged groups	Training and practice for the State Employment Agency inspectors' assistant Temporary Public Works	3
NL	Participation internship	Practice jobs Subsidized employment Work training internship		3
PL	Training (Szkolenia) Vocational education of adults (Przygotowanie zawodowe dorosłych)	Internship Subsidized employment	socially useful work (praca społecznie użyteczna) Public works (roboty publiczne)	3
PT	Sistema de Reconhecimento, Validação e Certificação de Competências –RVCC / (Recognition, Validation and Certification of Competences System)	Estágios Qualificação-Emprego (Probatory Period for Qualification-Employment)		3
	Contrato Emprego-Inserção +			

**Table 14. Most relevant ALMP for MIP recipients per category, respondents judgment, 2012, and scores (range of types of programs available to MIP recipients) – continued**

Country	Training	Private sector employment programme	Public sector job creation/employment program	Score
RO	“Second Chance” Educational Program	State subsidy		2
SI	Development and training programs Formal education National professional qualifications	On the Job training Program Employ Me Promotion of new employment for long-term unemployed recipients of social assistance	Public Works	3
SK	Education and preparation of jobseekers for labor market	Job training (work-in) of disadvantaged jobseekers Graduate practice Preparation for work of disabled persons	Contribution to support job creation and retention of employment in social enterprise Contribution to establishment of sheltered/protected workplaces	3
UK	Case management: The Work Programme (WP)			2
US/N	Employment first: Vocational training Job skills training directly related to employment	Employment First: – On the Job Training (OJT) Subsidized Private Sector Employment (SPSE)		2
US/NJ	Work First New Jersey –Vocational Education/Career & Technical	Work first New Jersey	Work First New Jersey	3

	Education/ Occupational Training (VT) - Job Skills Training Directly Related to Employment (JST)	- On the Job Training (OJT) Subsidized Private Sector Employment (SPSE):	Subsidized public sector employment	
<b>US/T</b>	Choices: Vocational Training (VT) Job Skills Training Directly Related to Employment (JST)	Choices: - On the Job Training (OJT) - Subsidized Private Sector Employment (SPSE)		2

Note: In addition, work for benefit programs exist in the US states, in Romania, in Lithuania and in Bulgaria. In some of these countries, this is the most prominent activation program available. We do not include this as indicator for ‘range of activation programs’, as this is arguably no tailor-made, enabling support.

n.a. : DK, ES, HU, IE, IT, LU, NO, SE  
Source: CSB MIPI



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## Information on the GINI project

### Aims

The core objective of GINI is to deliver important new answers to questions of great interest to European societies: What are the social, cultural and political impacts that increasing inequalities in income, wealth and education may have? For the answers, GINI combines an interdisciplinary analysis that draws on economics, sociology, political science and health studies, with improved methodologies, uniform measurement, wide country coverage, a clear policy dimension and broad dissemination.

Methodologically, GINI aims to:

- exploit differences between and within 29 countries in inequality levels and trends for understanding the impacts and teasing out implications for policy and institutions,
- elaborate on the effects of both individual distributional positions and aggregate inequalities, and
- allow for feedback from impacts to inequality in a two-way causality approach.

The project operates in a framework of policy-oriented debate and international comparisons across all EU countries (except Cyprus and Malta), the USA, Japan, Canada and Australia.

### Inequality Impacts and Analysis

Social impacts of inequality include educational access and achievement, individual employment opportunities and labour market behaviour, household joblessness, living standards and deprivation, family and household formation/breakdown, housing and intergenerational social mobility, individual health and life expectancy, and social cohesion versus polarisation. Underlying long-term trends, the economic cycle and the current financial and economic crisis will be incorporated. Politico-cultural impacts investigated are: Do increasing income/educational inequalities widen cultural and political 'distances', alienating people from politics, globalisation and European integration? Do they affect individuals' participation and general social trust? Is acceptance of inequality and policies of redistribution affected by inequality itself? What effects do political systems (coalitions/winner-takes-all) have? Finally, it focuses on costs and benefits of policies limiting income inequality and its efficiency for mitigating other inequalities (health, housing, education and opportunity), and addresses the question what contributions policy making itself may have made to the growth of inequalities.

### Support and Activities

The project receives EU research support to the amount of Euro 2.7 million. The work will result in four main reports and a final report, some 70 discussion papers and 29 country reports. The start of the project is 1 February 2010 for a three-year period. Detailed information can be found on the website.

**[www.gini-research.org](http://www.gini-research.org)**





**GINI** GROWING INEQUALITIES' IMPACTS

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