

Zero Poverty Society

Ensuring a Decent Income for All

Ive Marx

2024 (LIS)2ER workshop: “Fighting poverty: Measurement and policy challenges” 11-13 December 2024

Remember these guys?



**“I call on EU to
do more to cut poverty” (2008)**

**“Europe needs to be Social Triple-A!”
(2014)**

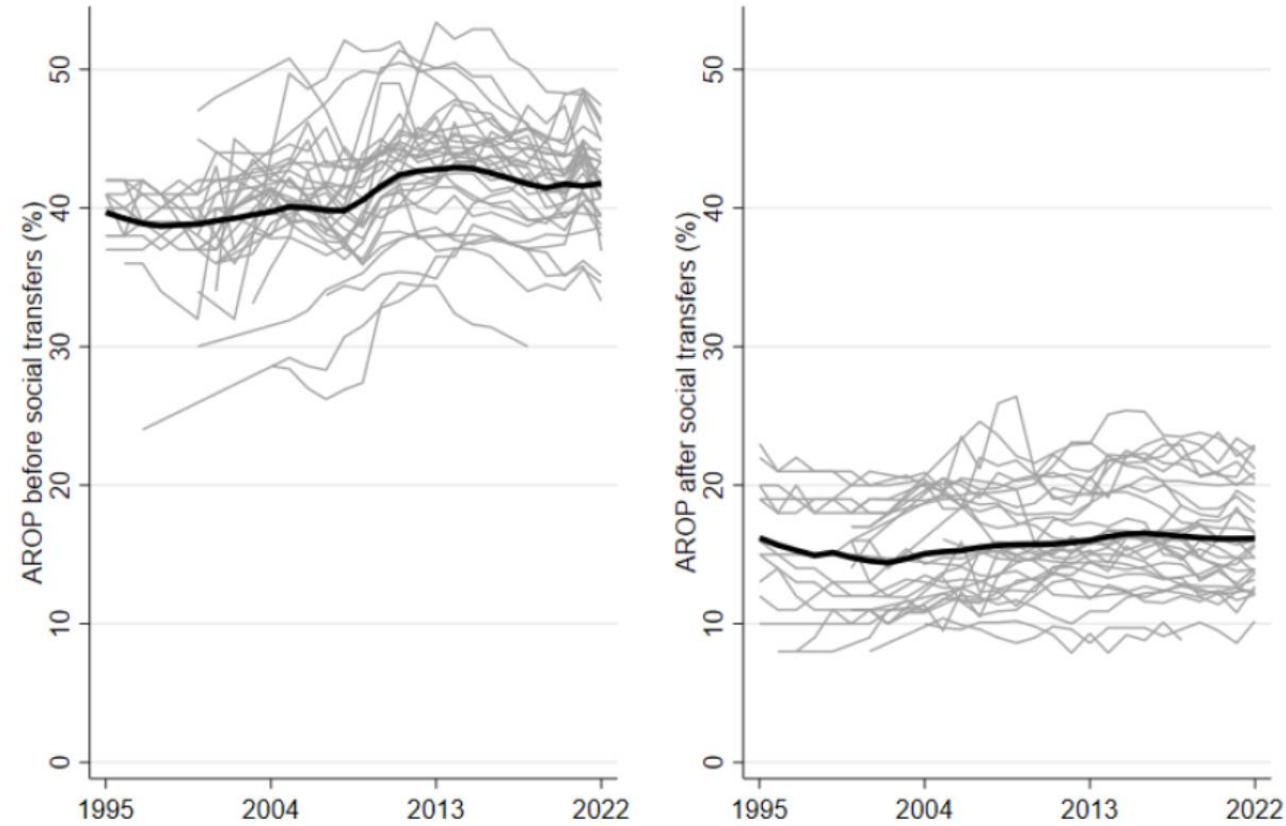


Promises, promises



Yet poverty persists in Europe

Figure 1. At-Risk-of-Poverty (AROP) before and after social transfers, 1995-2022.



Notes: Share of adult population at-risk-of-poverty in EU28, Switzerland, Iceland and Norway.
Sources: EU-SILC and ECHP surveys (ilc_li09 and ilc_li02).

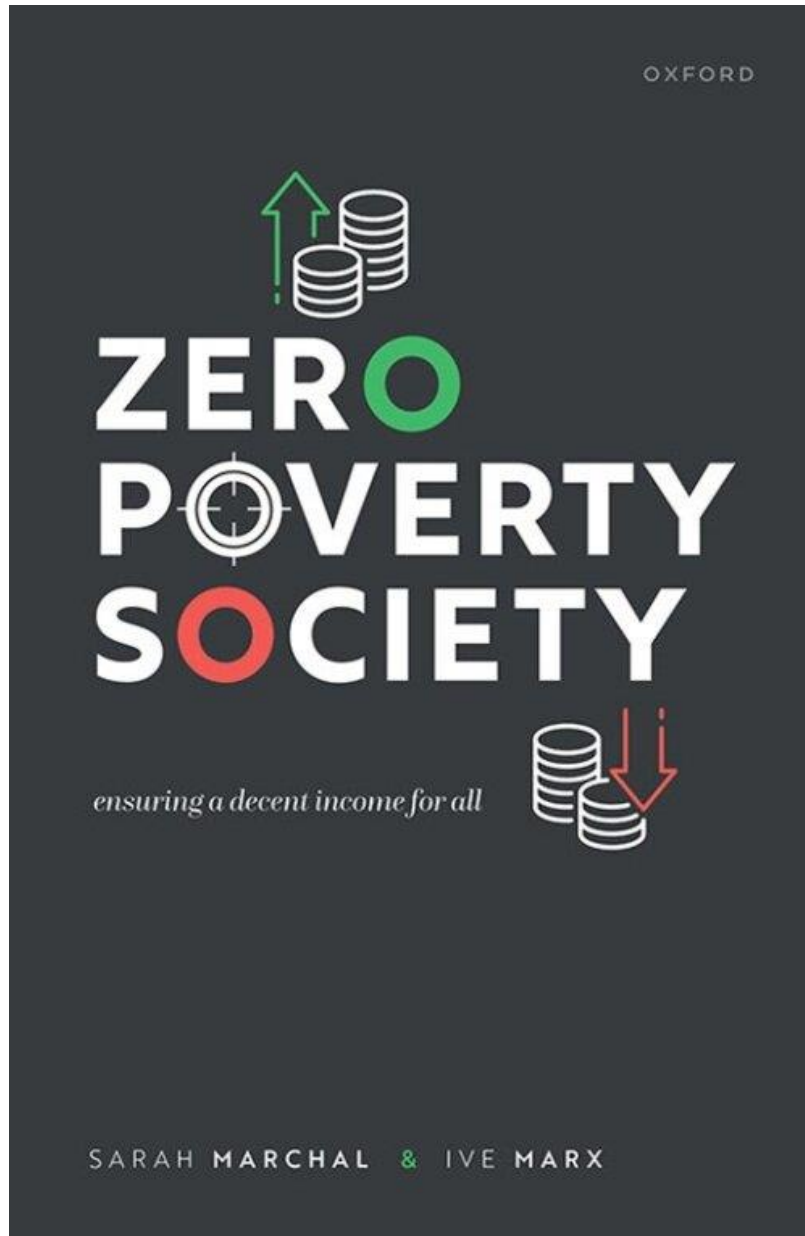
What this talk is about

- **The notion that every person living amidst relative affluence has a right to a minimum income enabling social participation, be it frugally and soberly, holds as a fundamental matter of social justice to most people.**
- **But how can we make sure that every person, whether working or not, has a decent minimum income allowing for a life with dignity in societies rich enough to afford such a right?**

In other words, we take the Pillar Of Social Rights serious

- Principle 14:

*“Everyone lacking sufficient resources has the **right to adequate minimum income benefits** ensuring a life in dignity at all stages of life, and effective access to enabling goods and services.”*



Sarah Marchal & Ive Marx (2024)

Oxford University Press, 336 Pages

Available as hardcover and as an e-book

30% discount code AUFLY30 on orders placed via global.oup.com

What is the state of minimum income protection?

The good news: most European (and many non-European) countries have social safety nets these days

- **Most EU countries have safety nets of last resort: legally ensured means-tested cash benefits that aim to ensure a minimal living standard**
- **In some countries introduced as early as the late 1960s and early 1970s**
- **Italy, Spain and Greece introduced these as national schemes as late as mid 2010s**
- **Benefit levels and eligibility criteria are largely laid down by law: people can exercise a right to financial support.**
- **But not unconditional: people are required to look for work and to accept jobs; they sometimes have to sign contracts to that effect**

But how adequate are these safety nets?

- Clearly, this is hard because minimum income protection is provided by a very wide range of provisions, often with very complex interactions
- Spending indicators say little about who gets what, especially how much goes to the most needy
- Legal studies are rich on detail but rarely give much analytical insight into poverty outcomes
- Micro-data analysis sheds light on the impact of transfers but says little about policy intent and about the mechanisms behind the observed outcomes (is it entitlement rules? take-up? work histories?..)

Model family approach

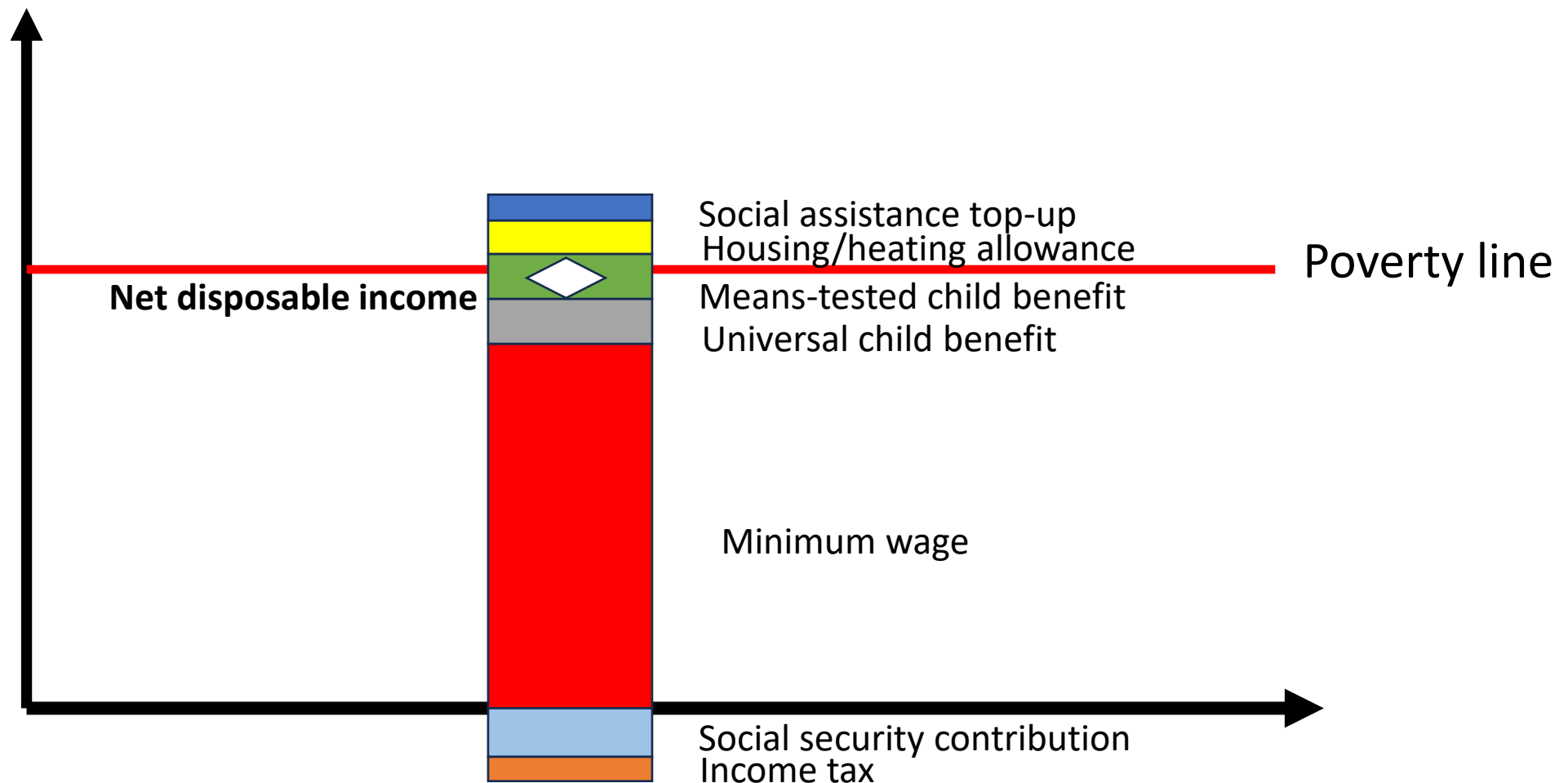
- This method builds on comparing households in exactly the same hypothetical situation across countries
- The method allow to assess the generosity of actual policy rules, in combination (often complex interactions!), in a comparable fashion over time and across countries,
- It is a “pure” indicator of policy intent
- In addition, such simulations allow to assess policies for specific groups – such as lone parents or minimum income beneficiaries – that are theoretically interesting but may be underrepresented in surveys.

Model family approach example 1

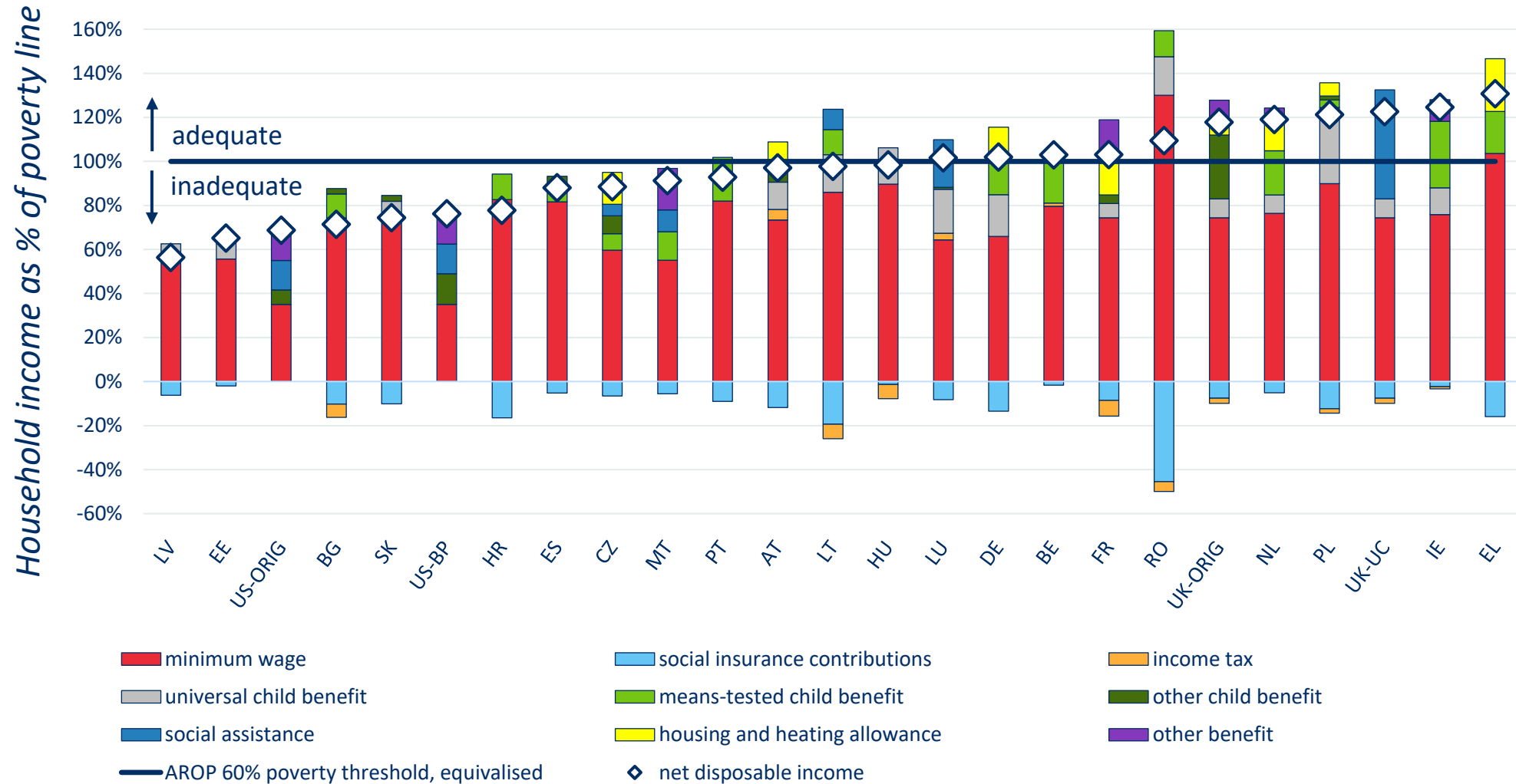
- Single adult (fully entitled citizen), two children, aged 7 & 14 attending school



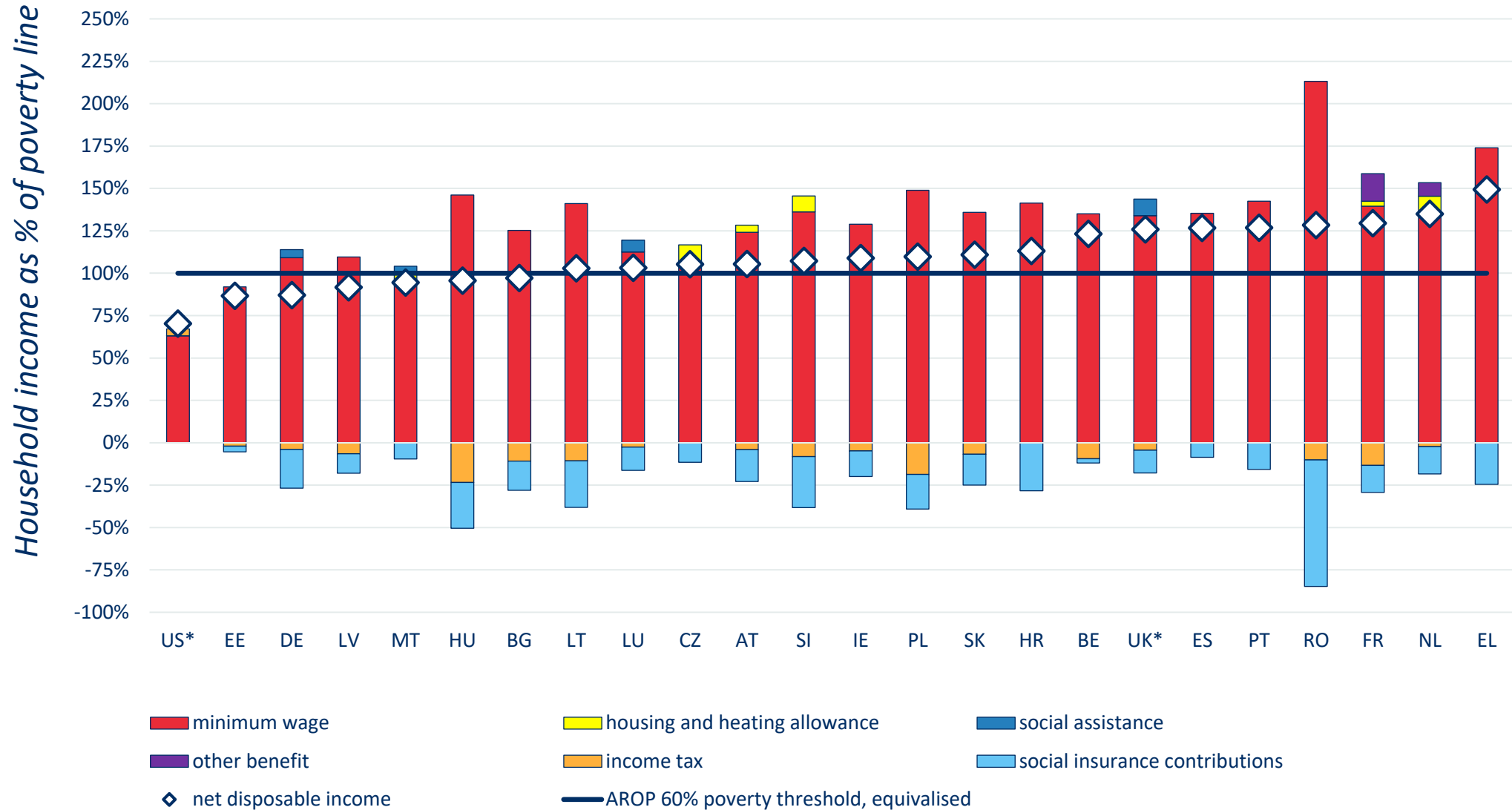
- Working full time for the minimum wage
- Median market rent for 3 person household
- Taking account of all personal taxes and non-discretionary benefits



A single parent, 2 children, working for the minimum wage



Single person, working for the minimum wage

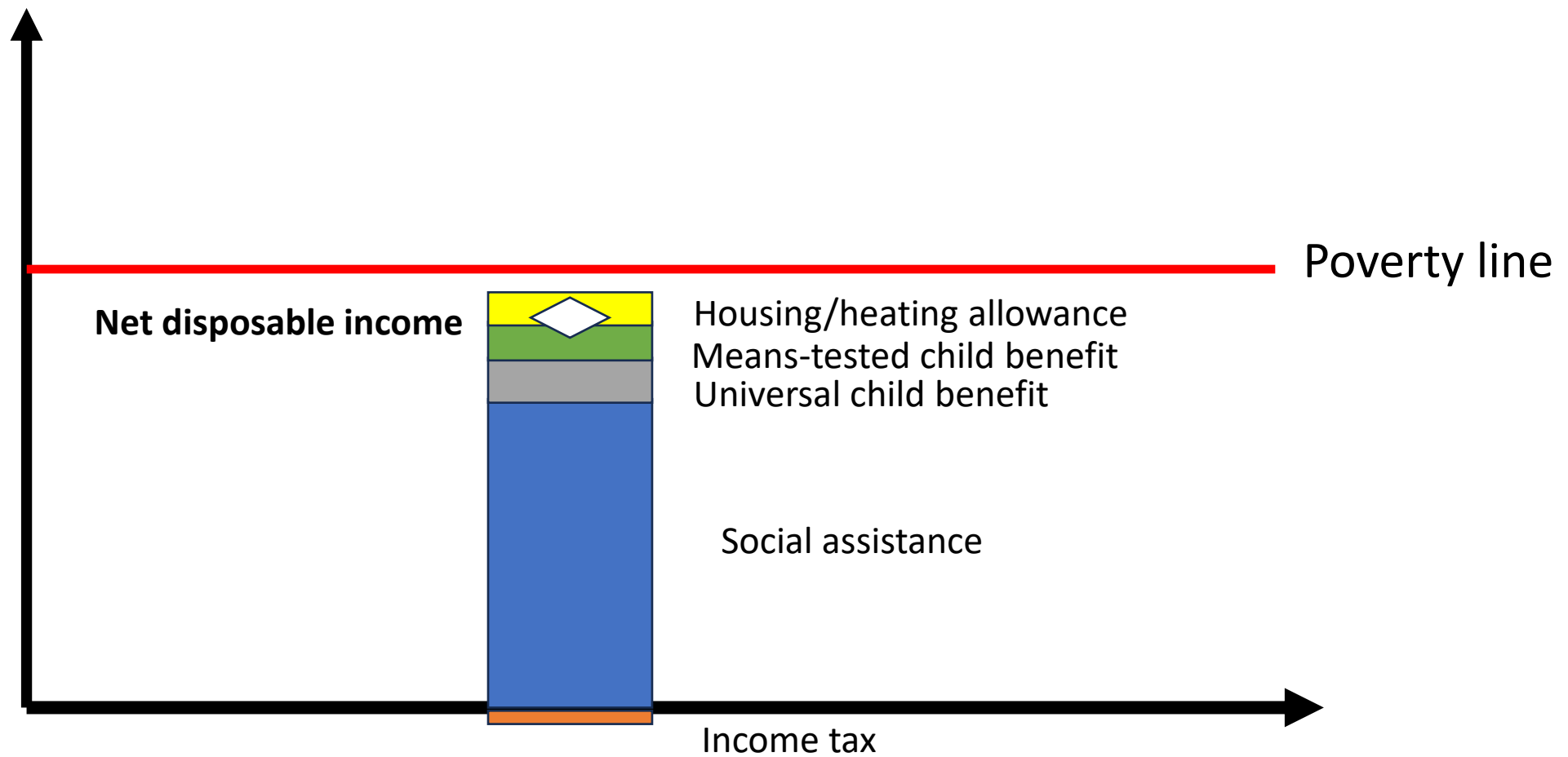


Model family approach example 2

- Single adult (fully entitled citizen), two children, aged 7 & 14 attending school

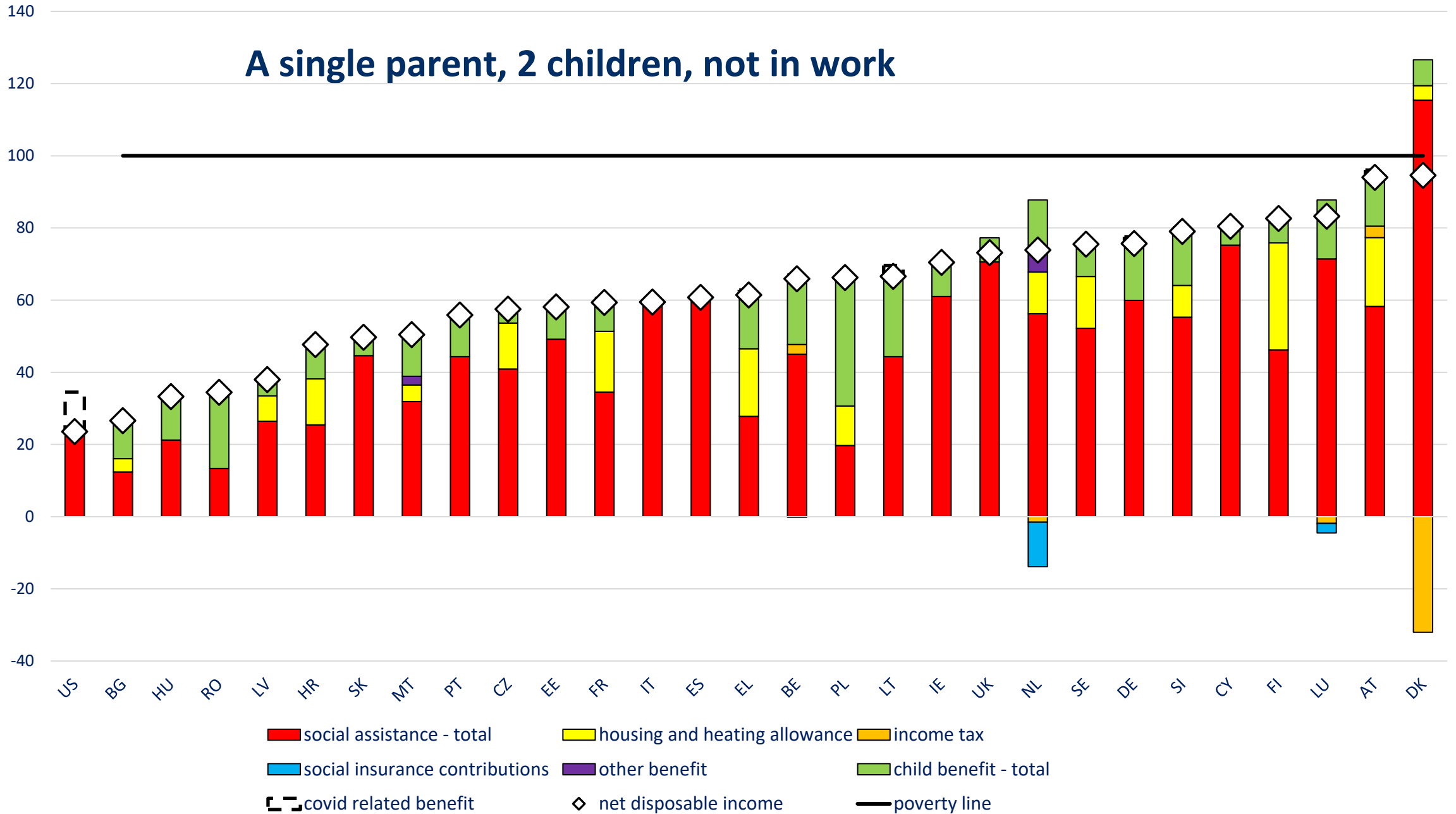


- Not working (but looking) and not (or no longer) entitled to social insurance benefits
- Median market rent for 3 person household
- Taking account of all personal taxes and non-discretionary benefits



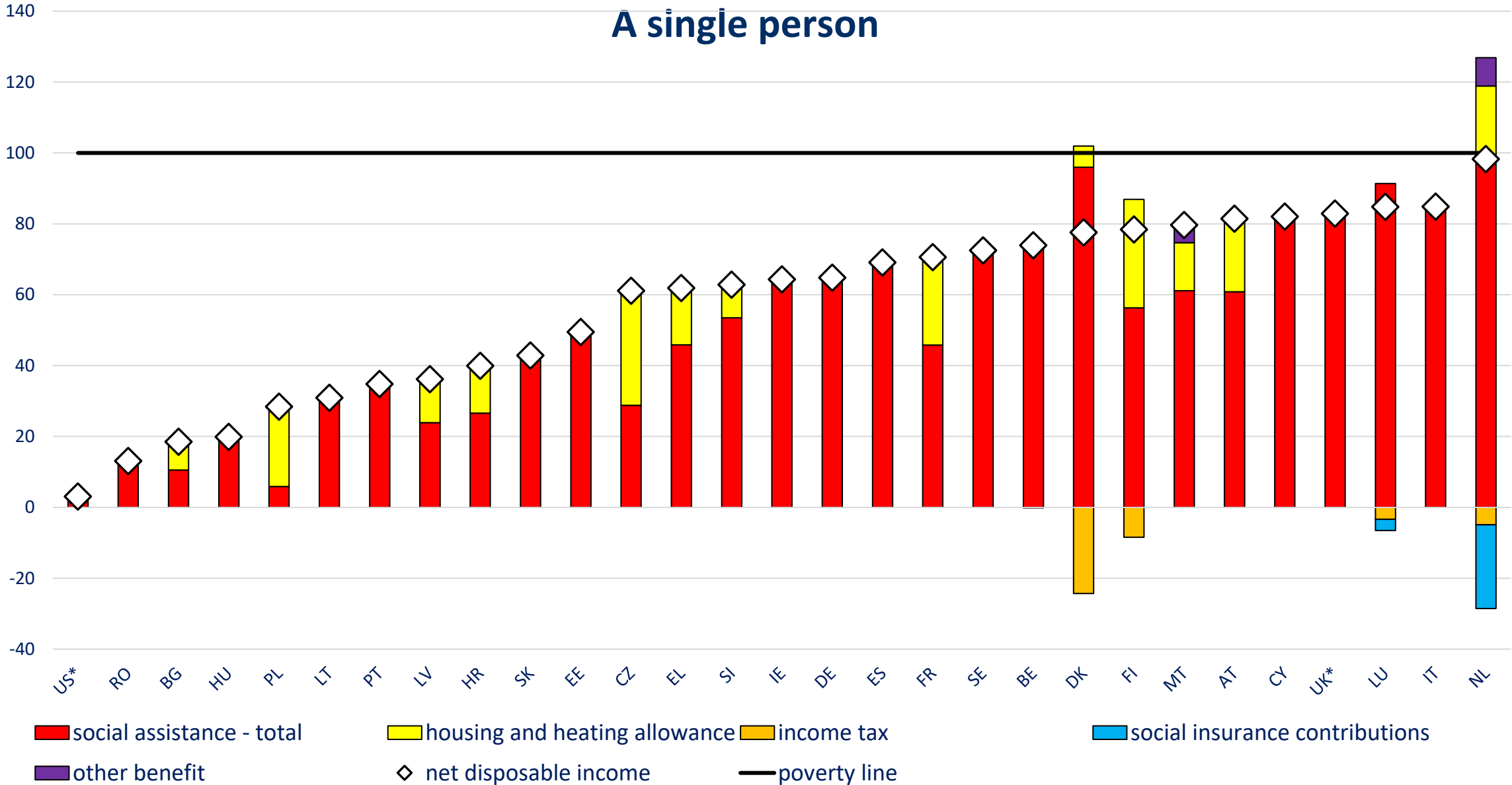
A single parent, 2 children, not in work

Household income as % of poverty line



A single person

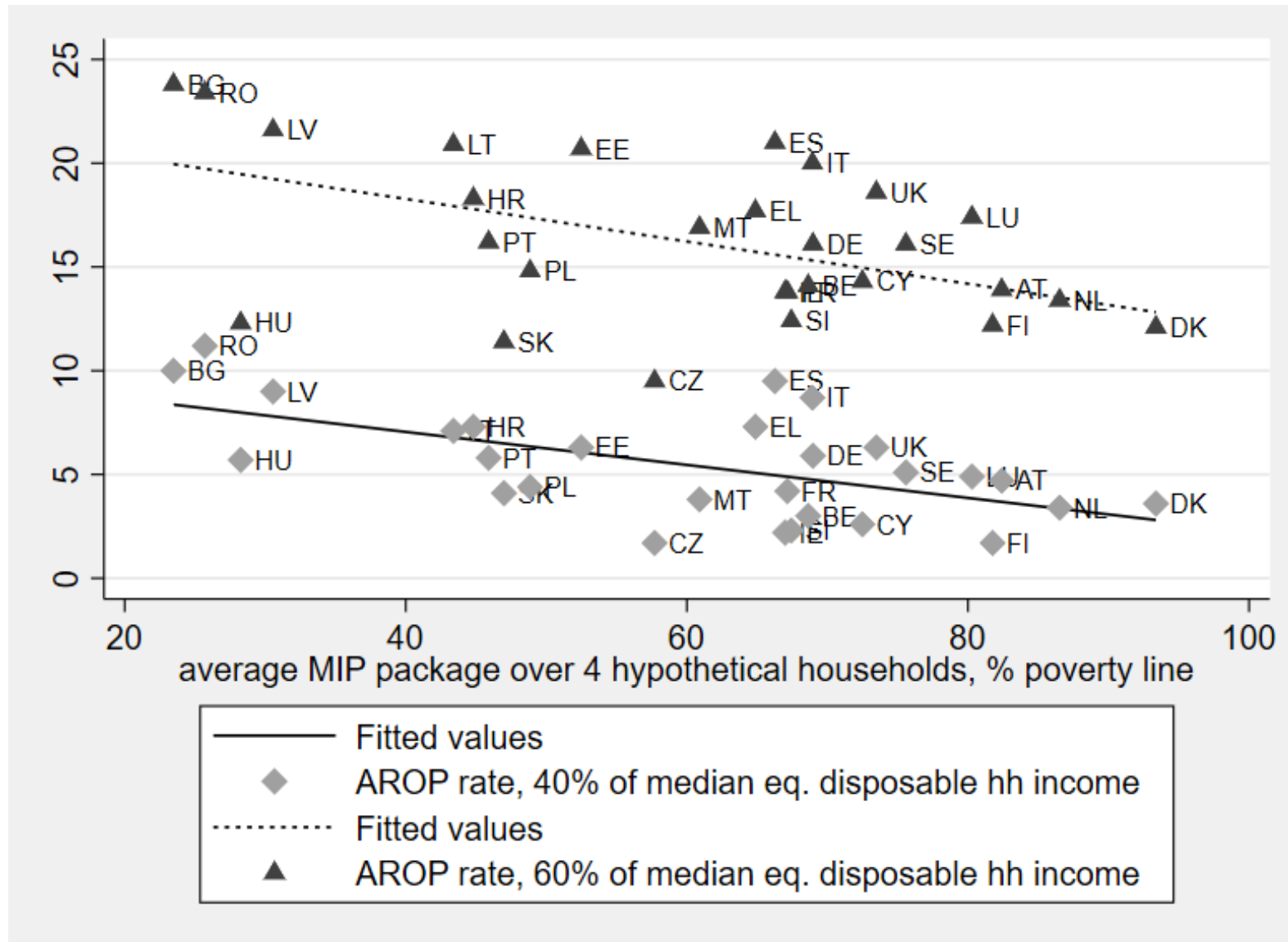
Household income as % of poverty line



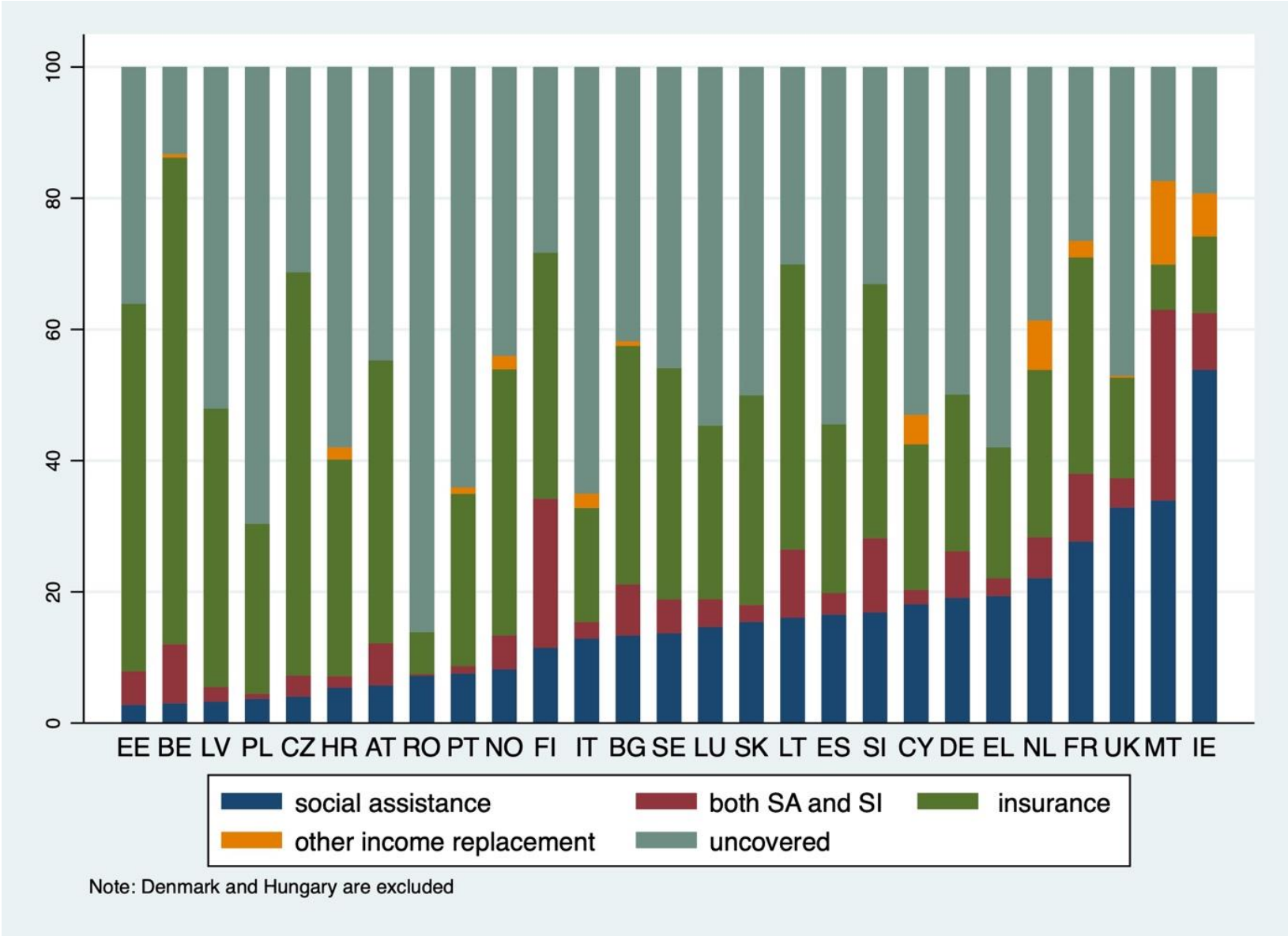
Limitations of this approach

- Minimum wages are not applicable to everybody or not properly enforced
- There is significant non-take up of benefits; especially of supplements
- Some benefits are subject to a level of discretion or conditionality (and this may work both ways)
- Very few people actually fit the model families/situations we calculate
- Regional/municipal level variation can be significant

Do model family based indicators of generosity account for poverty outcomes?

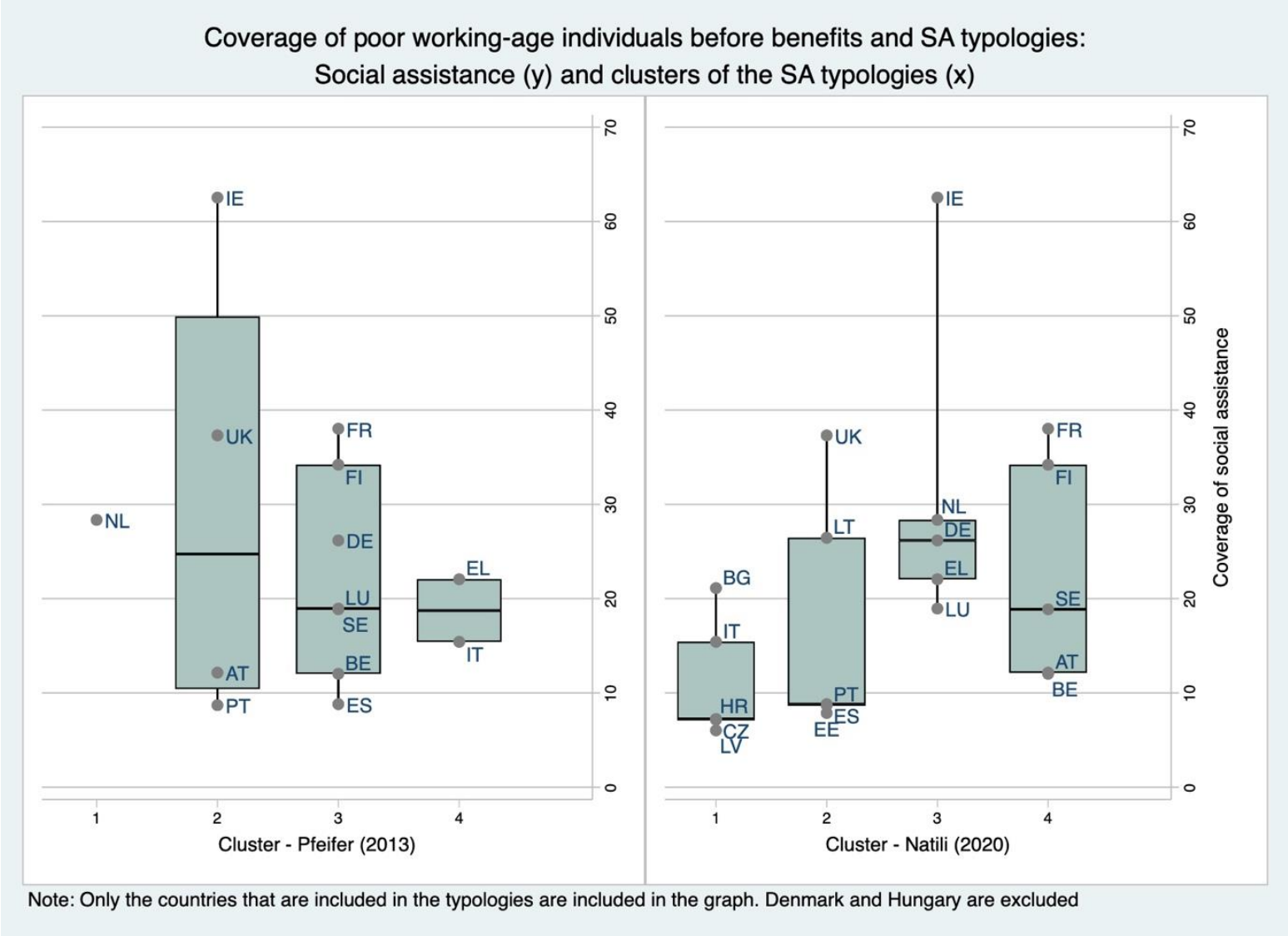


Large swathes of the (pre-transfer) poor do not appear to be covered by any income replacement scheme



Source: Nardo, Marchal & Marx (2024)

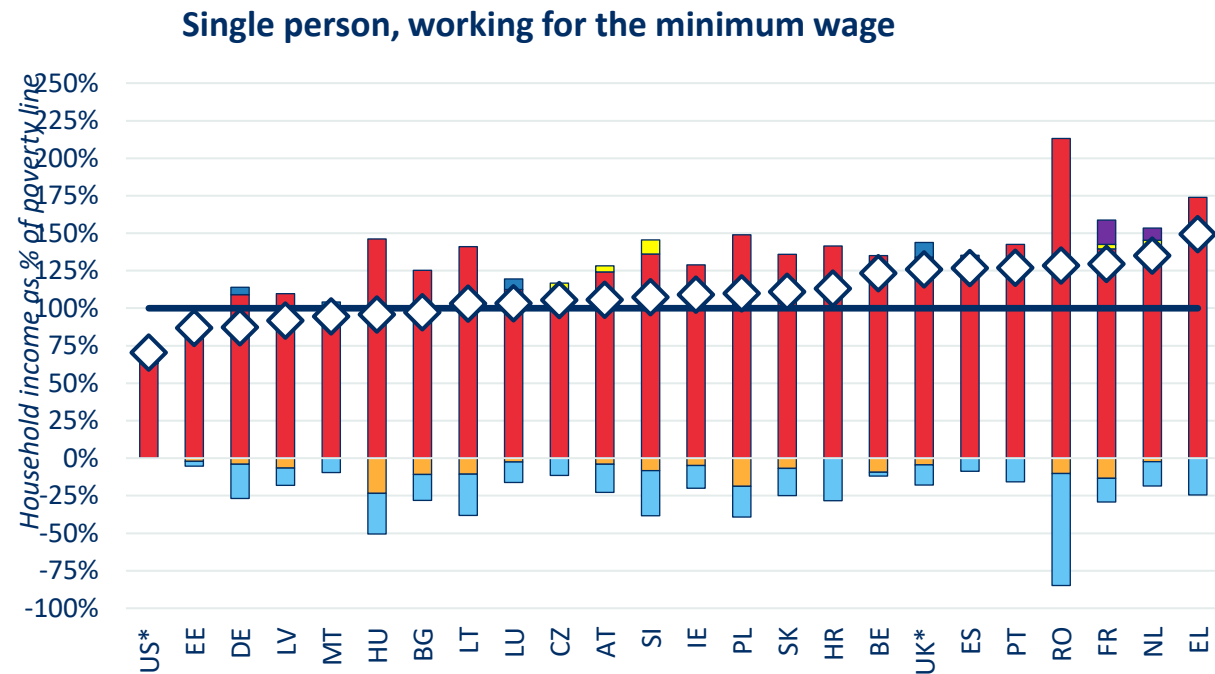
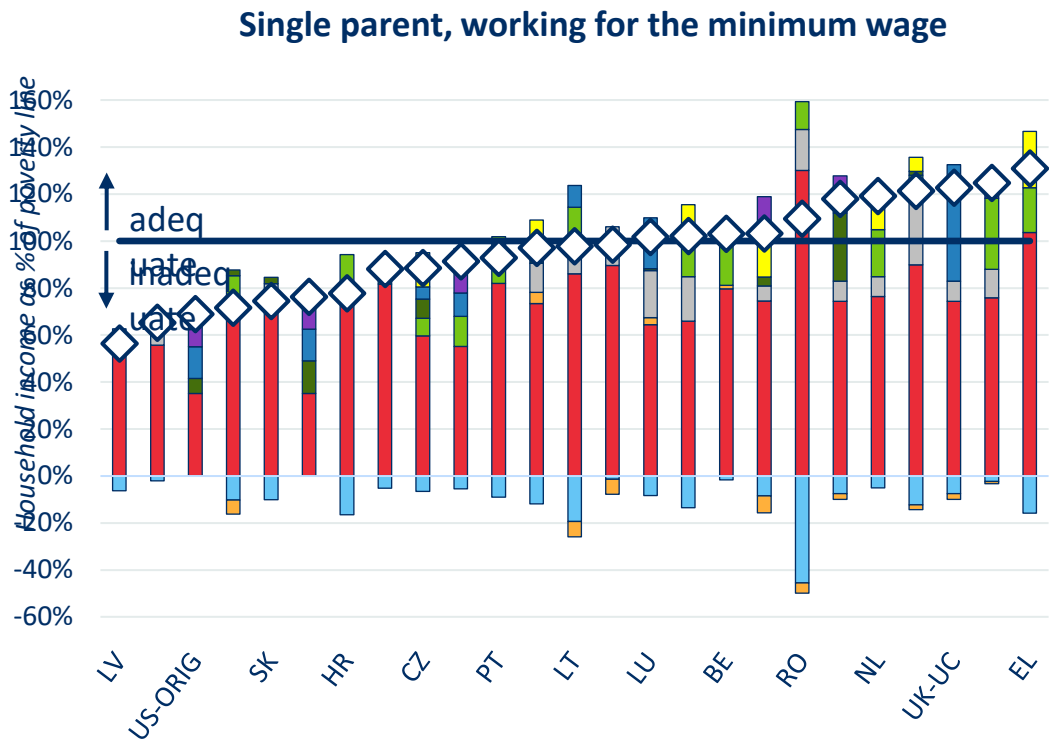
By the way: if you are starting to get the impression that “welfare regimes” do not give much guidance as to outcomes then you are totally right



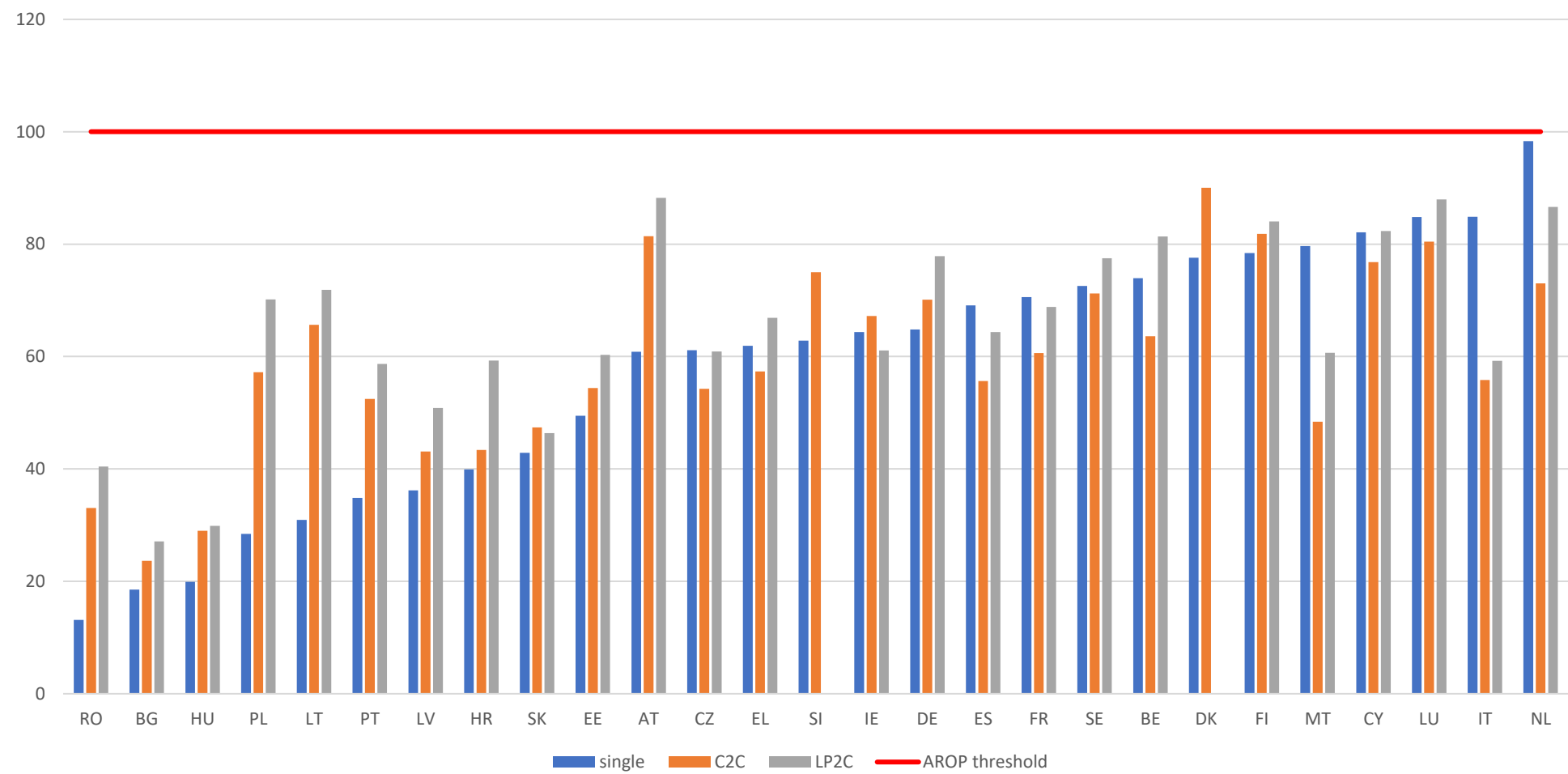
Source: Nardo, Marchal & Marx 2024

Limits to better minimum protection

Remember: in a good number of countries the net income of a full-time MW worker is above the poverty line



...but minimum income protection for those out of work is way below the poverty line



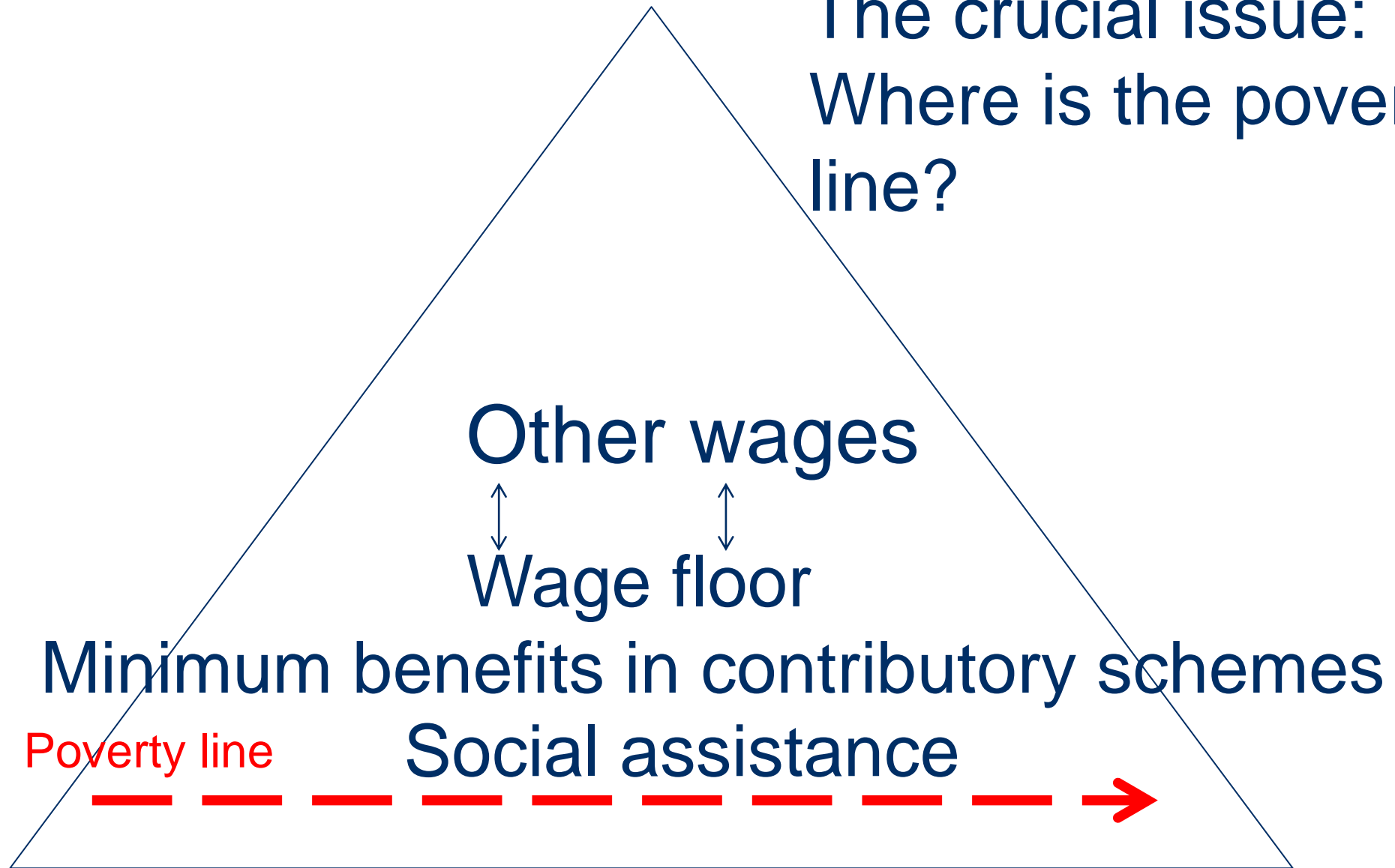
Why are safety nets not more adequate for those not in work?

- Hyp 1. Politicians are cynics; they don't really care
- Hyp 2. It would be far too expensive (but then again not more than 1-2% of GDP is needed in most cases)
- Hyp 3. Spending priorities are elsewhere, like 'social investment'
- Hyp 4. There are more fundamental constraints

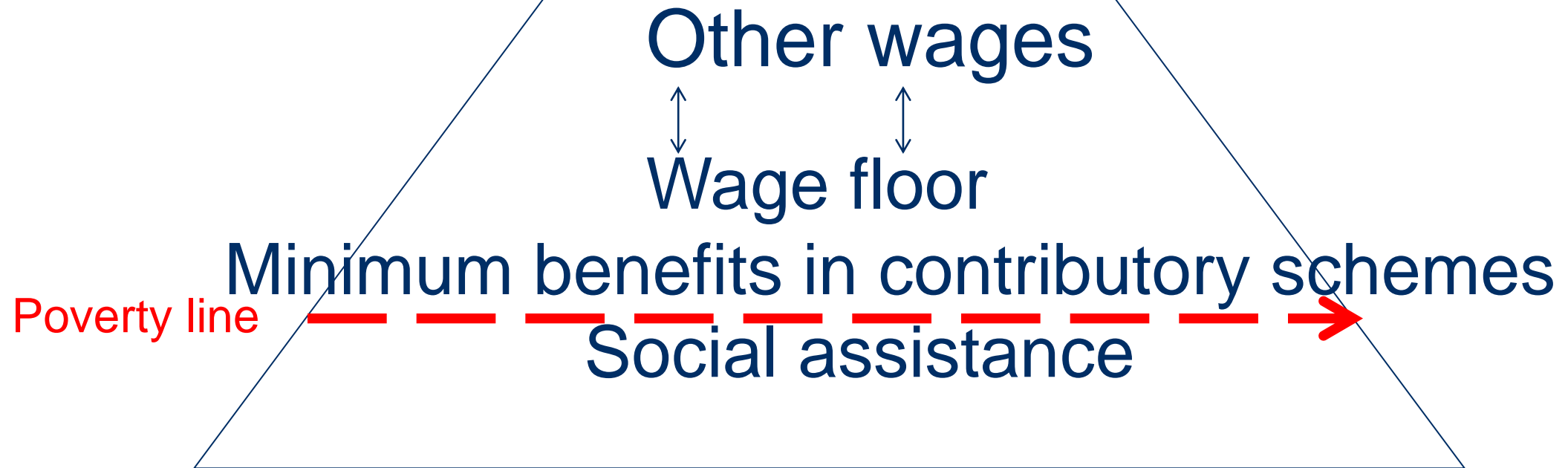
The incomes hierarchy



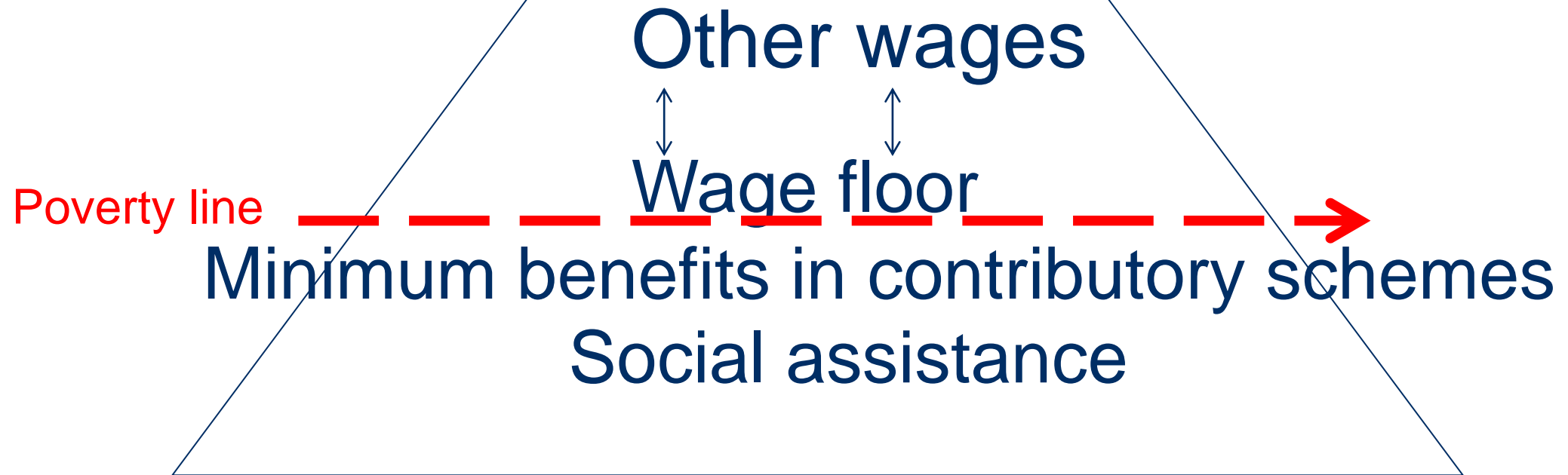
The crucial issue:
Where is the poverty
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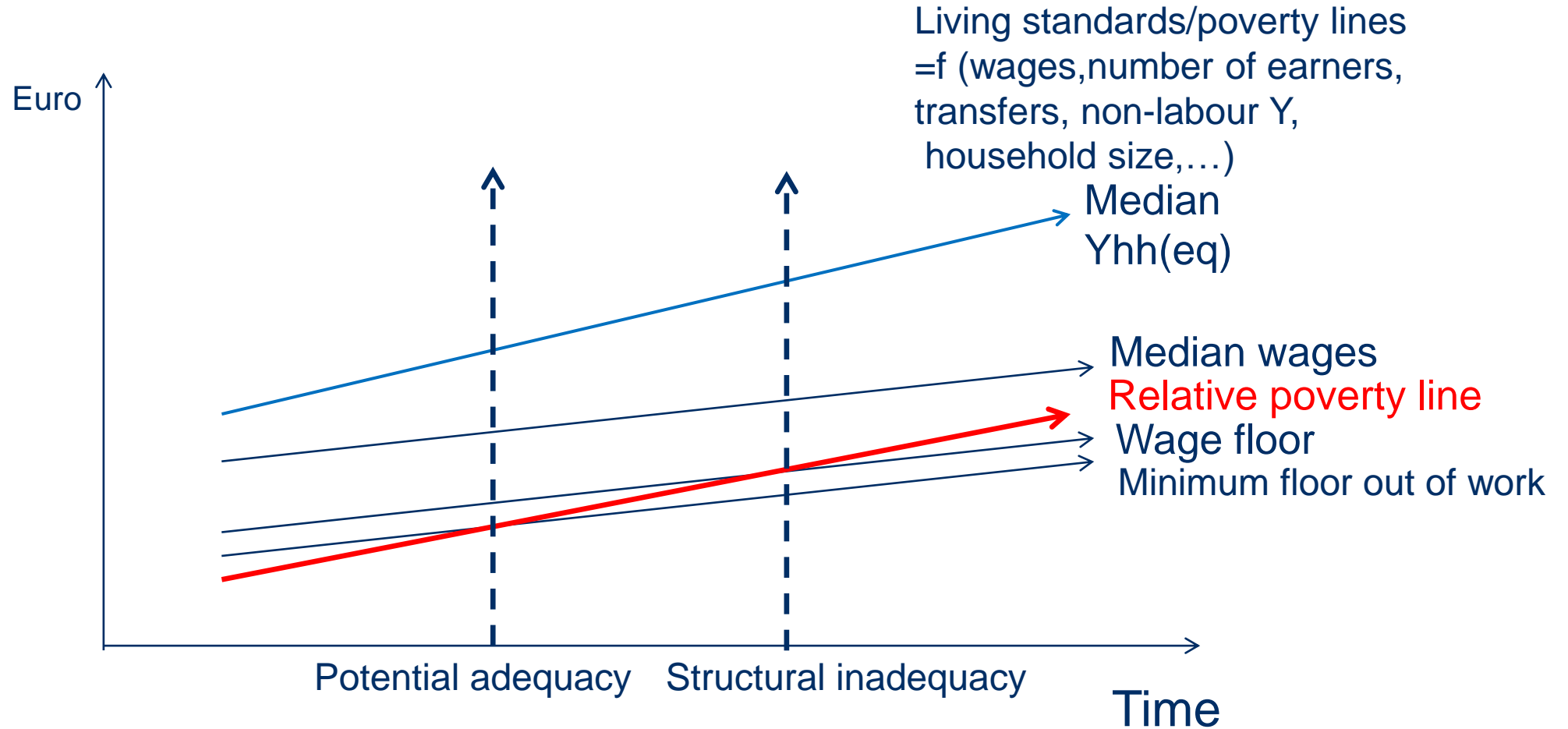


The crucial issue:
Where is the poverty
line?





Plus: minimum income adequacy inherently difficult to maintain when living standards outpace wage growth...

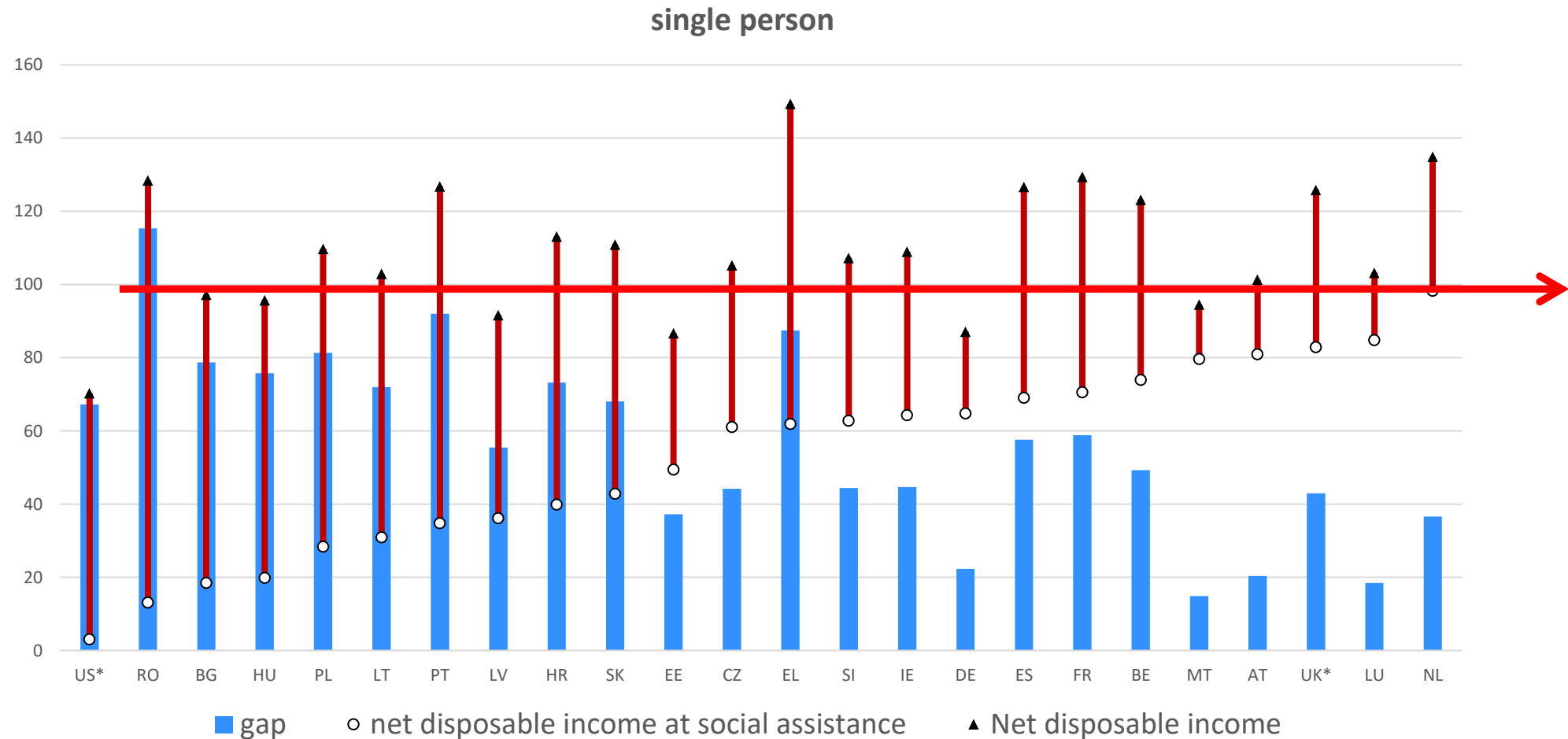




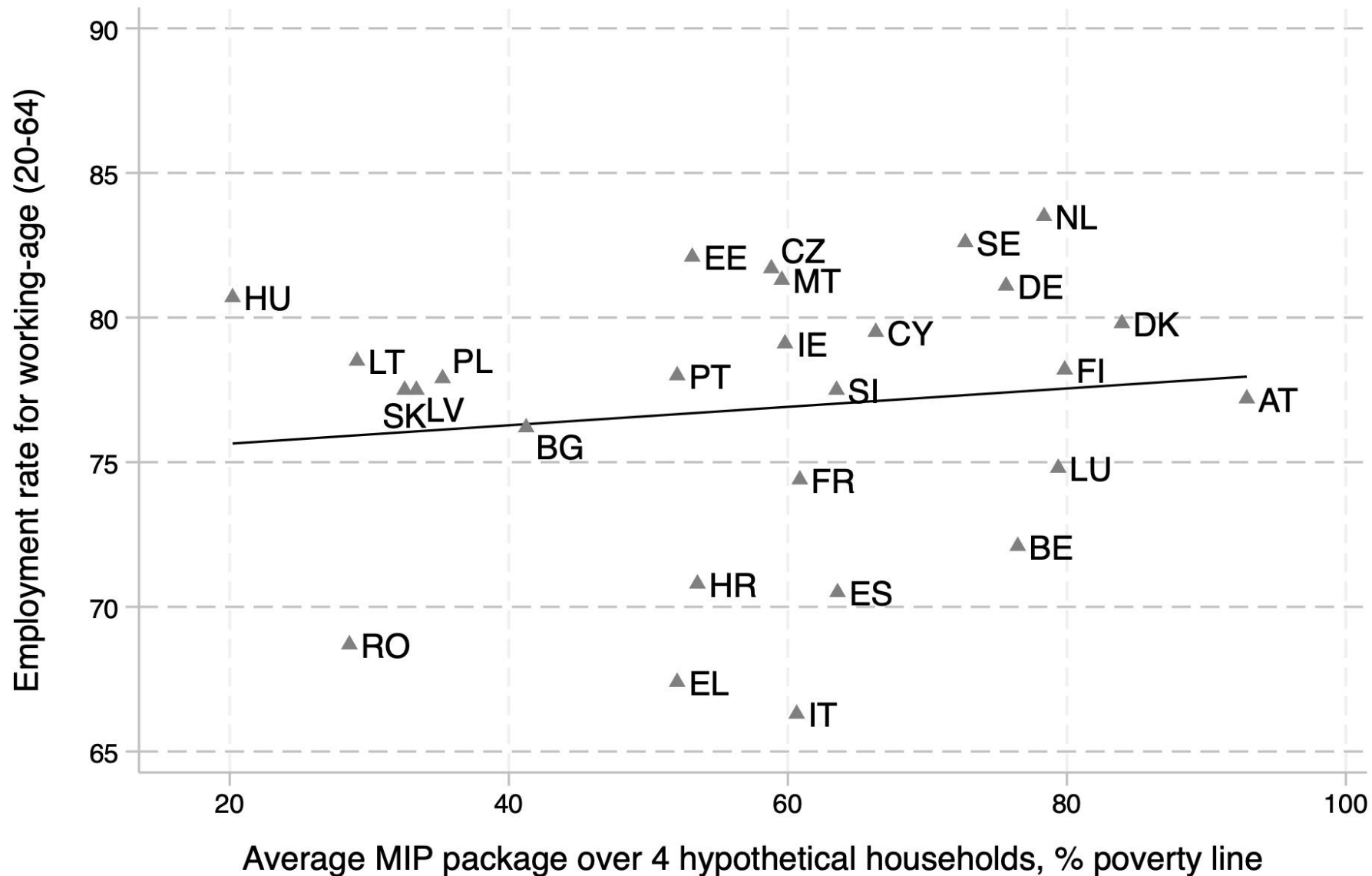




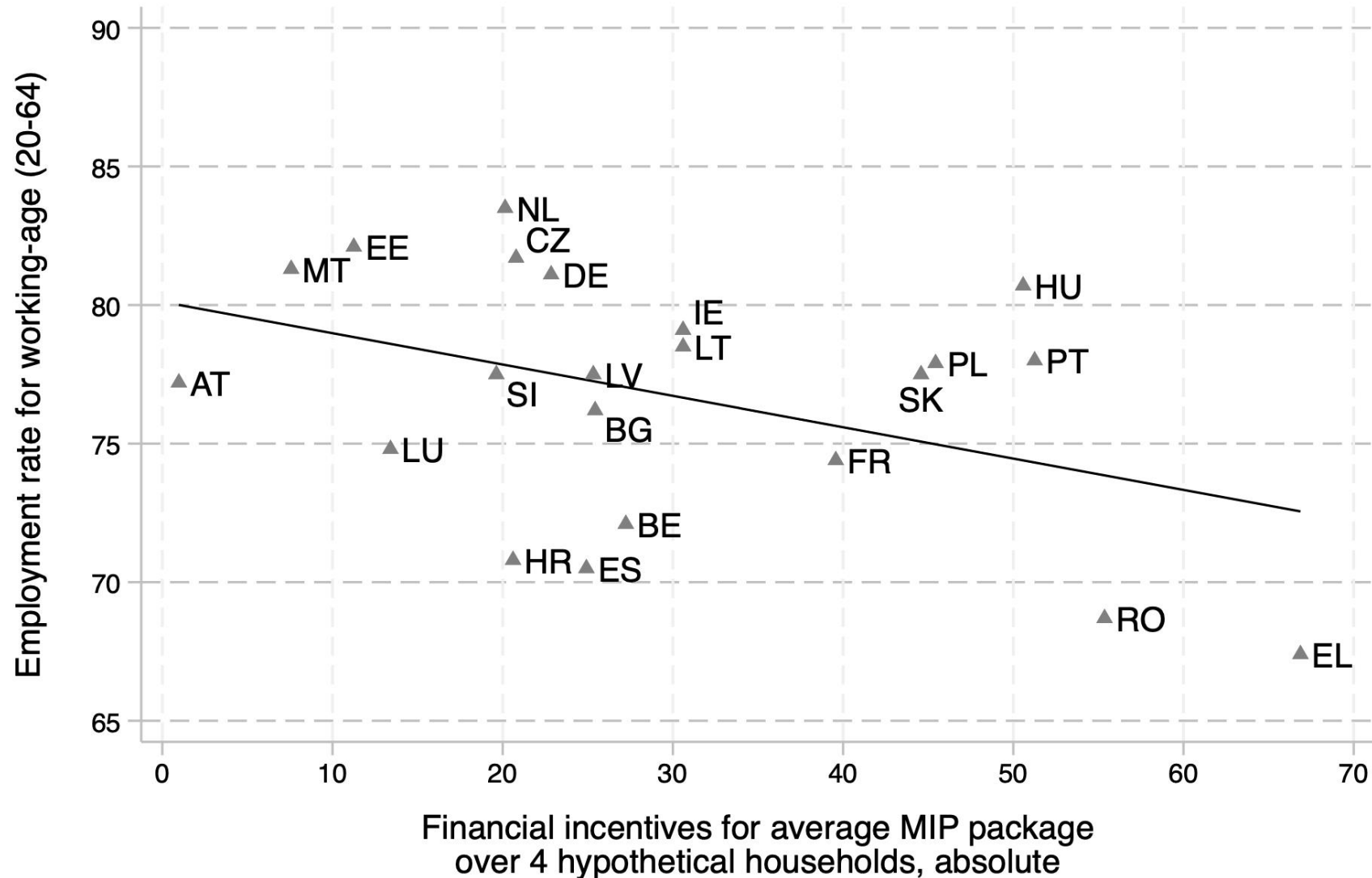
Lifting out of work benefits to adequacy levels is not easy if we care about work incentives



Yet keep in mind that there is no simple trade-off between adequate minimum protection and employment



Nor does a smaller gap between income in and out of work result in worse employment outcomes (on the contrary)



So is monitoring and conditionality the answer?

- Politicians like to think that tight monitoring and severe sanctioning is the answer to prevent a “culture of dependency” developing
- Extensive experimentation (e.g. in the Netherlands) shows that monitoring and sanctioning regimes do not matter all that much; most people leave social assistance after a while
- What seems more important is that people have *good opportunities to improve their plight*; that requires dynamic economies and labour markets

Concluding

So yes, it can be done

- However, 'silver-bullet' solutions do not present themselves
- Adequate minimum income protection is not a matter of getting one scheme or policy right; it is a matter of getting multiple policy levers right, in the right configuration.
- Incremental, context-conscious expansion is the way forward if we really care about the most vulnerable.

Key ingredients for (more) adequate minimum income protection

- Set wage floors as high as the labour market can take without adverse employment effects (that is why the Minimum Wage Directive matters!)
- Have (quasi-)universal child benefits as a first layer of income support for people in work and not in work alike
- Have, as a last resort provision, a final safety net as high as is reasonably possible given the level of the wage floor and labour market conditions
- Have income targeted income supplements, especially differentiated by housing situation, children's needs, but not by work status

Some additional recommendations

- **Make benefits as accessible and free from stigma as possible**
- **Do not obsess about monitoring and control**
- **Limit case worker discretion but know that it has its advantages**
- **Integrated systems for people in work and not in work work better on paper than in reality**
- **Fiscalisation (e.g. EITC type schemes) is not the way forward**
- **Basic income is not the answer (at least in the rich world)**

Thank you!

Related reading

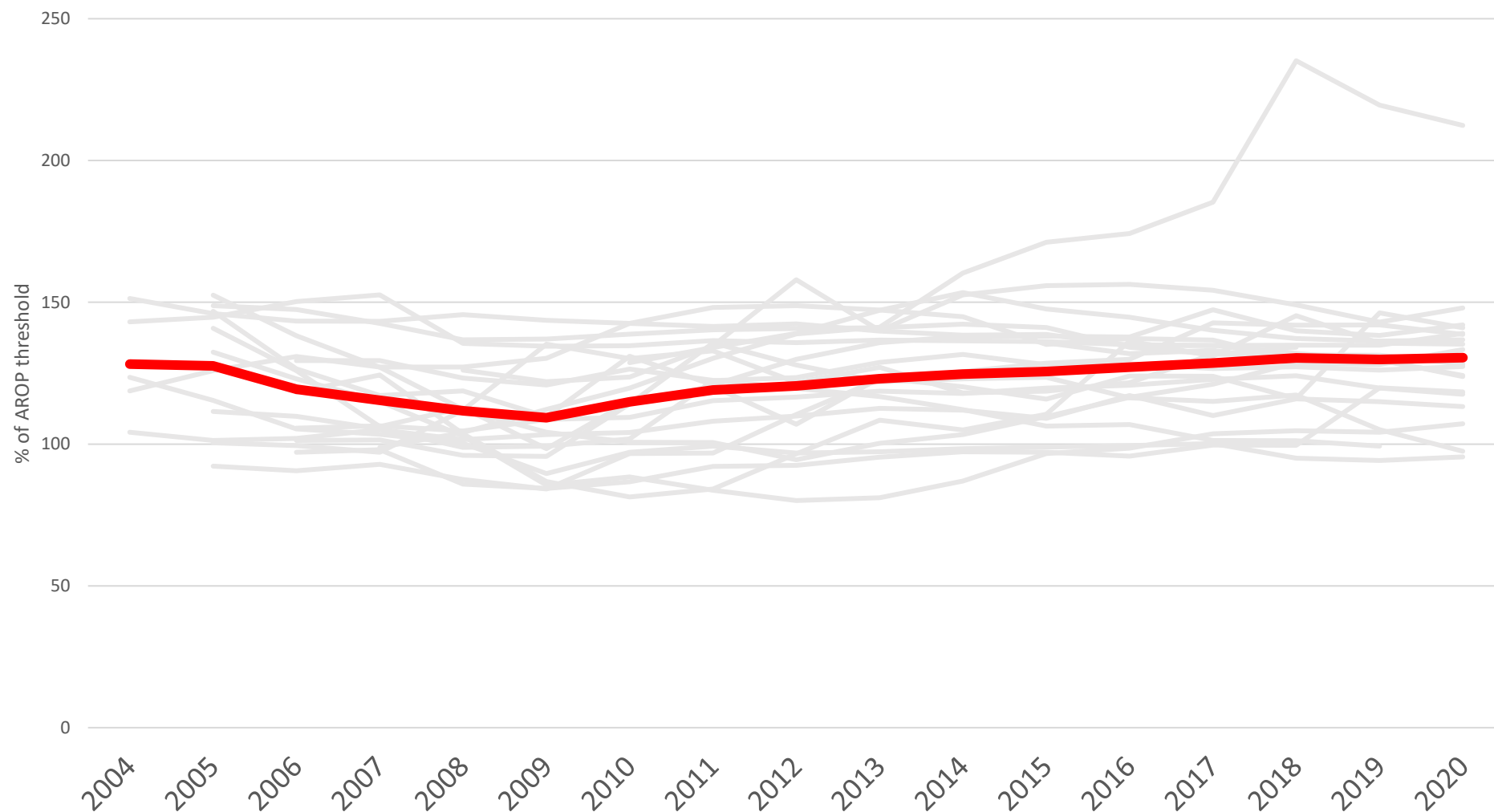
- Aerts, E., Marx, I., & Parolin, Z. (2022). Income Support Policies for Single Parents in Europe and the United States: What Works Best? *The ANNALS of the American Academy of Political and Social Science*, 702(1), 55-76. <https://doi.org/10.1177/00027162221120448>
- Aerts E, Marx I, Verbist G. Not that basic: how level, design, and context matter for the redistributive outcomes of universal basic income. *Journal of Social Policy*. Published online 2023:1-23. doi:10.1017/S0047279423000582
- Marx, I., Haapanala, H., Marchal, S. - [Is poverty reduction in Europe doomed? Conjectures, facts and a cautiously optimistic conclusion](#). CSB Working Paper 24/03. Antwerp: Herman Deleeck Centre for Social Policy, University of Antwerp.
- Nardo, A., Marchal, S., Marx, I. - [Safety net or sieve: Do Europe's minimum income schemes reach the poor?](#) CSB Working Paper 24/02. Antwerp: Herman Deleeck Centre for Social Policy, University of Antwerp.
- Haapanala, H., Marx, I., & Parolin, Z. (2023). Decent wage floors in Europe: Does the minimum wage directive get it right? *Journal of European Social Policy*, 33(4), 421-435. <https://doi.org/10.1177/09589287231176977>

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- <https://www.uantwerpen.be/en/staff/ive-marx/my-website/>

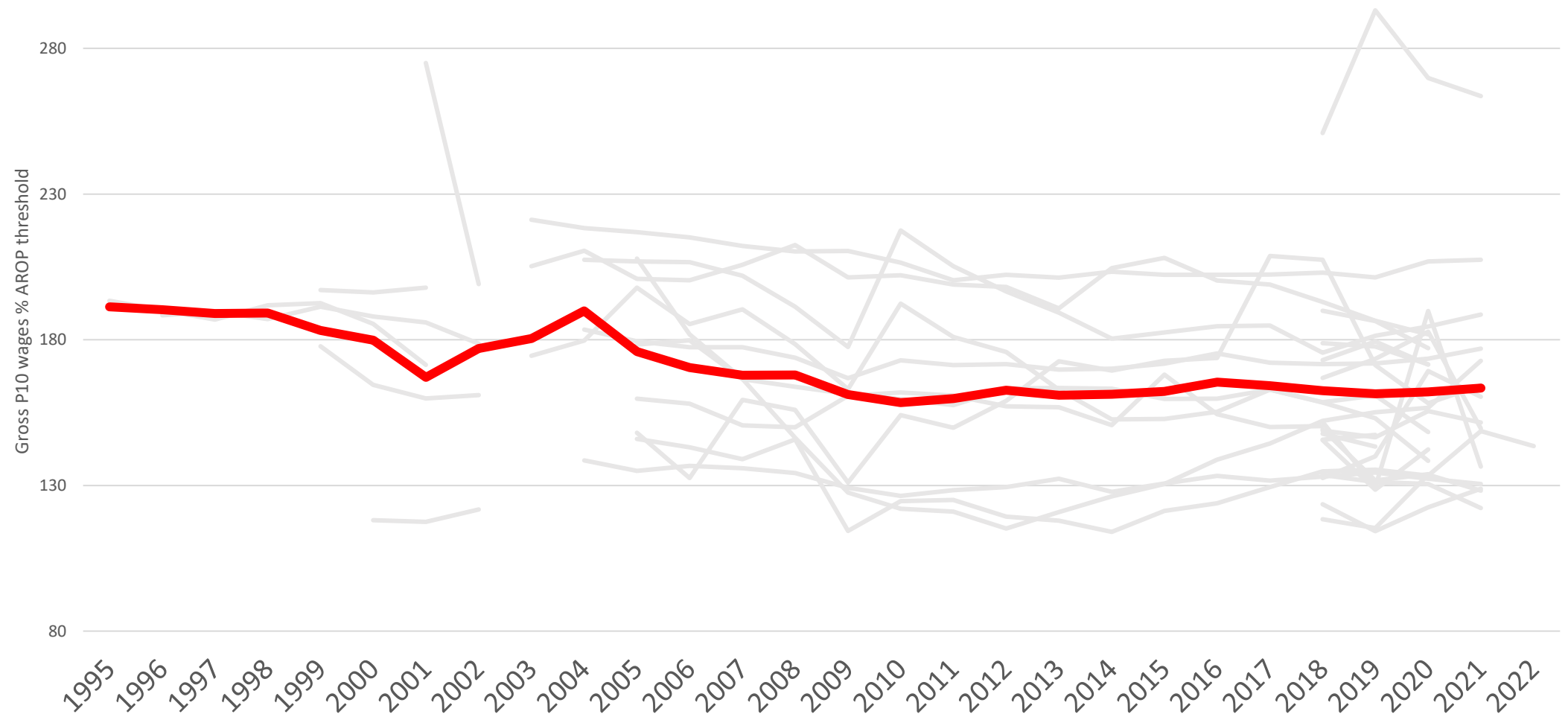
Extra slides

Statutory minimum wages relative to the poverty line in EU countries 2004-2020



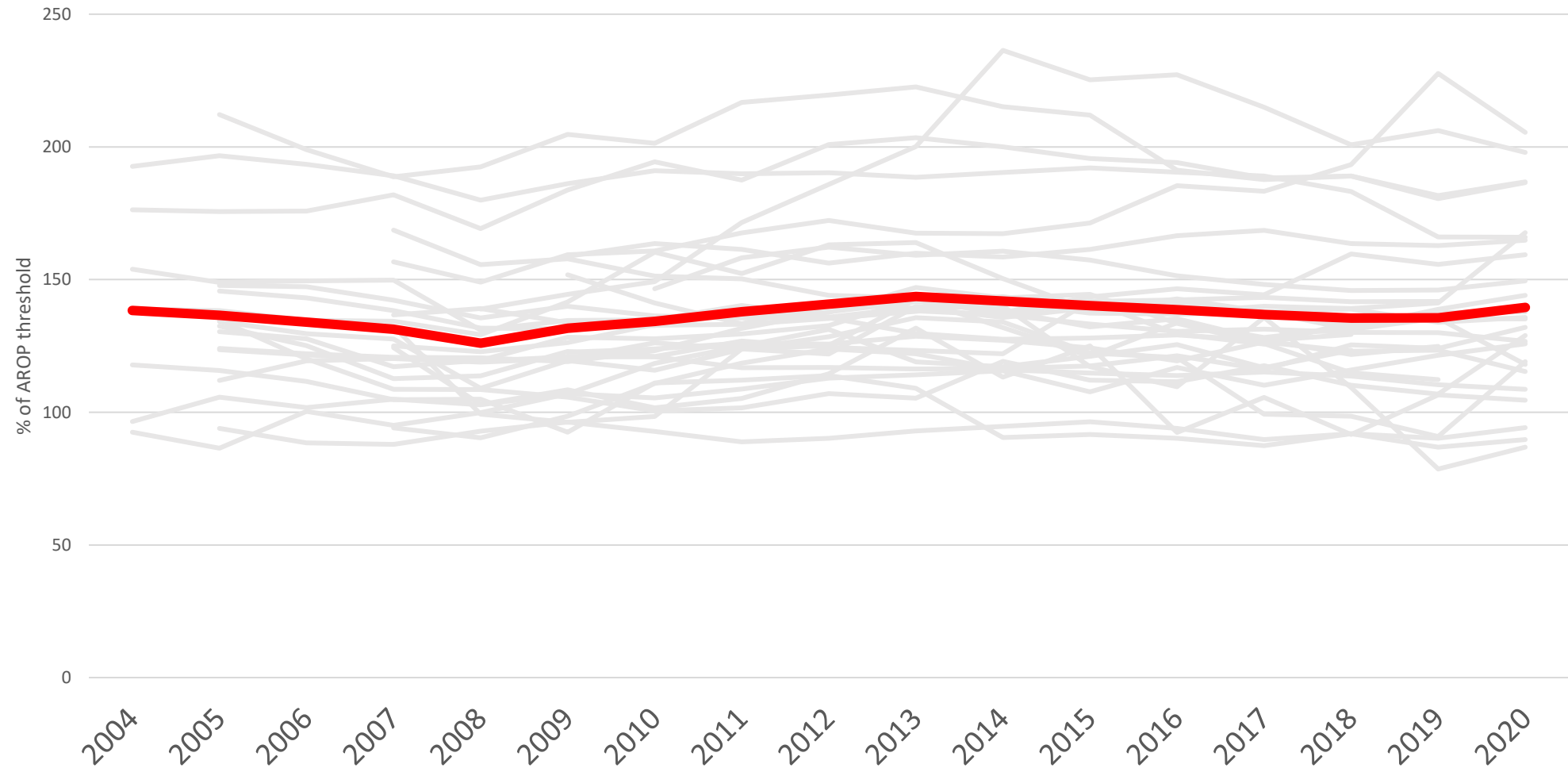
Sources: EU-SILC, WSI Minimum Wages Database.

Effective wage floors (gross P10) relative to the poverty line, 1995-2022.



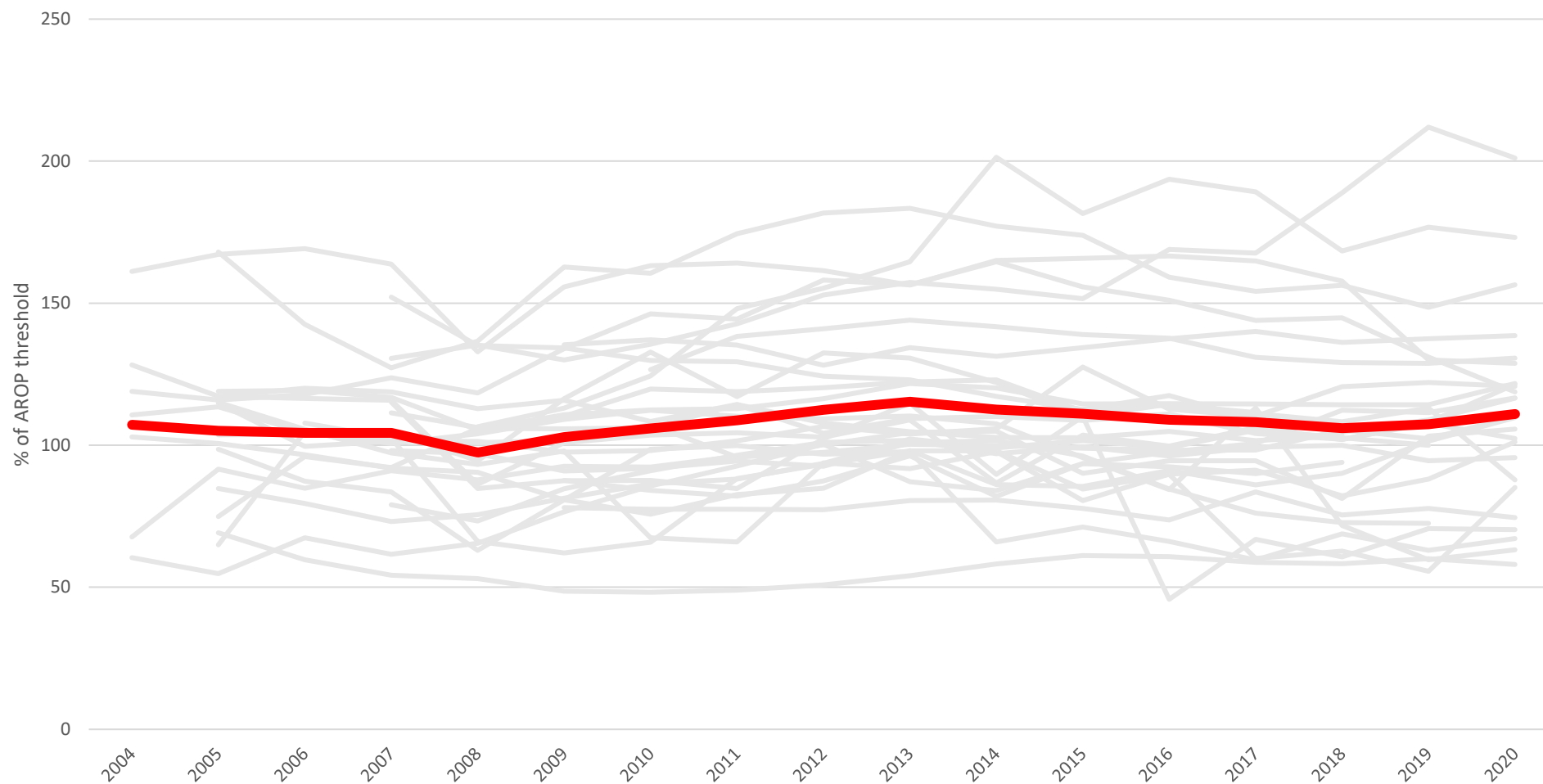
Source OECD Earnings Distribution Database.

Effective wage floors (gross P10) relative to the poverty line, 2004-2020.



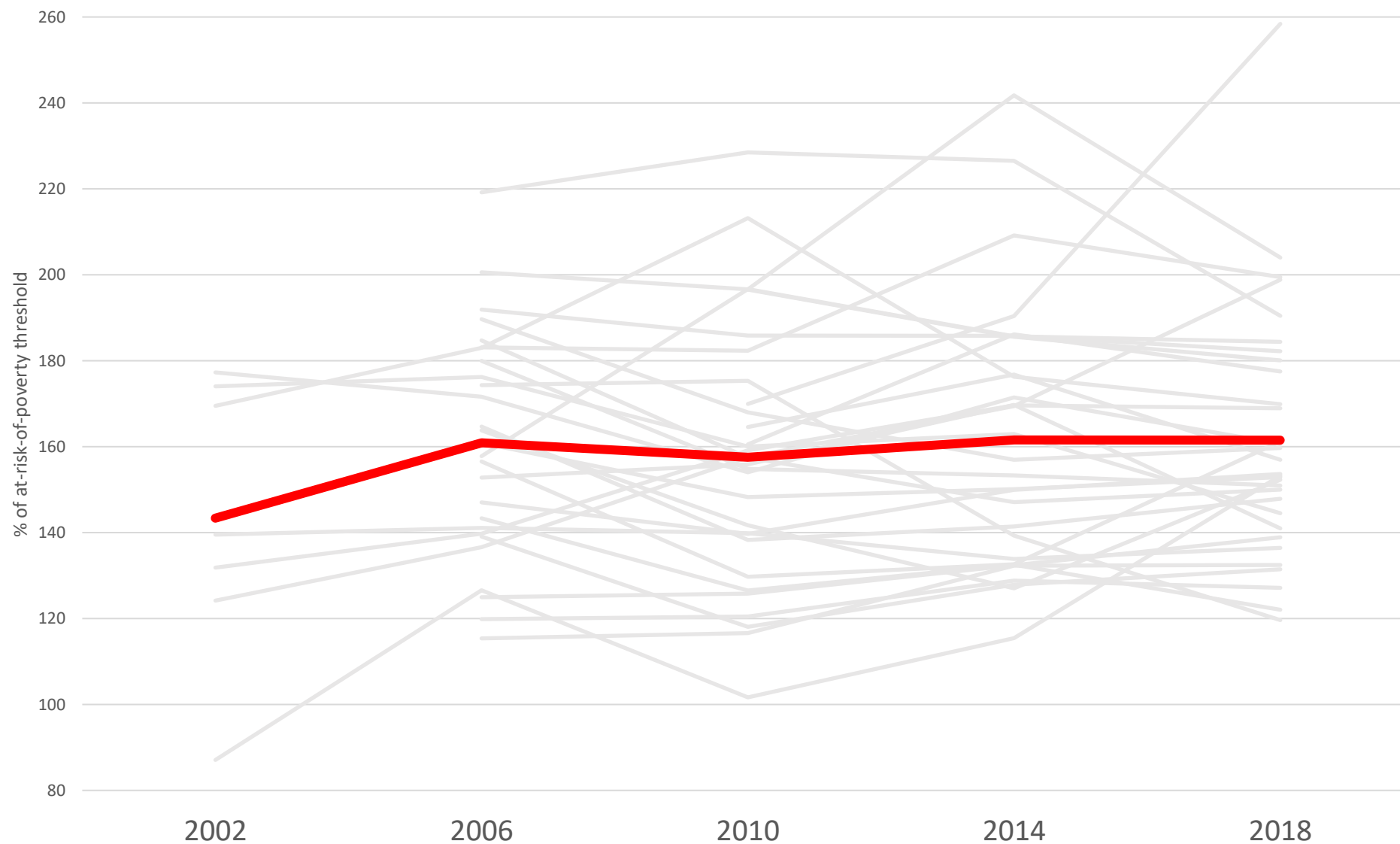
Sources: EU-SILC

Absolute wage floors (gross P5) relative to the poverty line, 2004-2020.



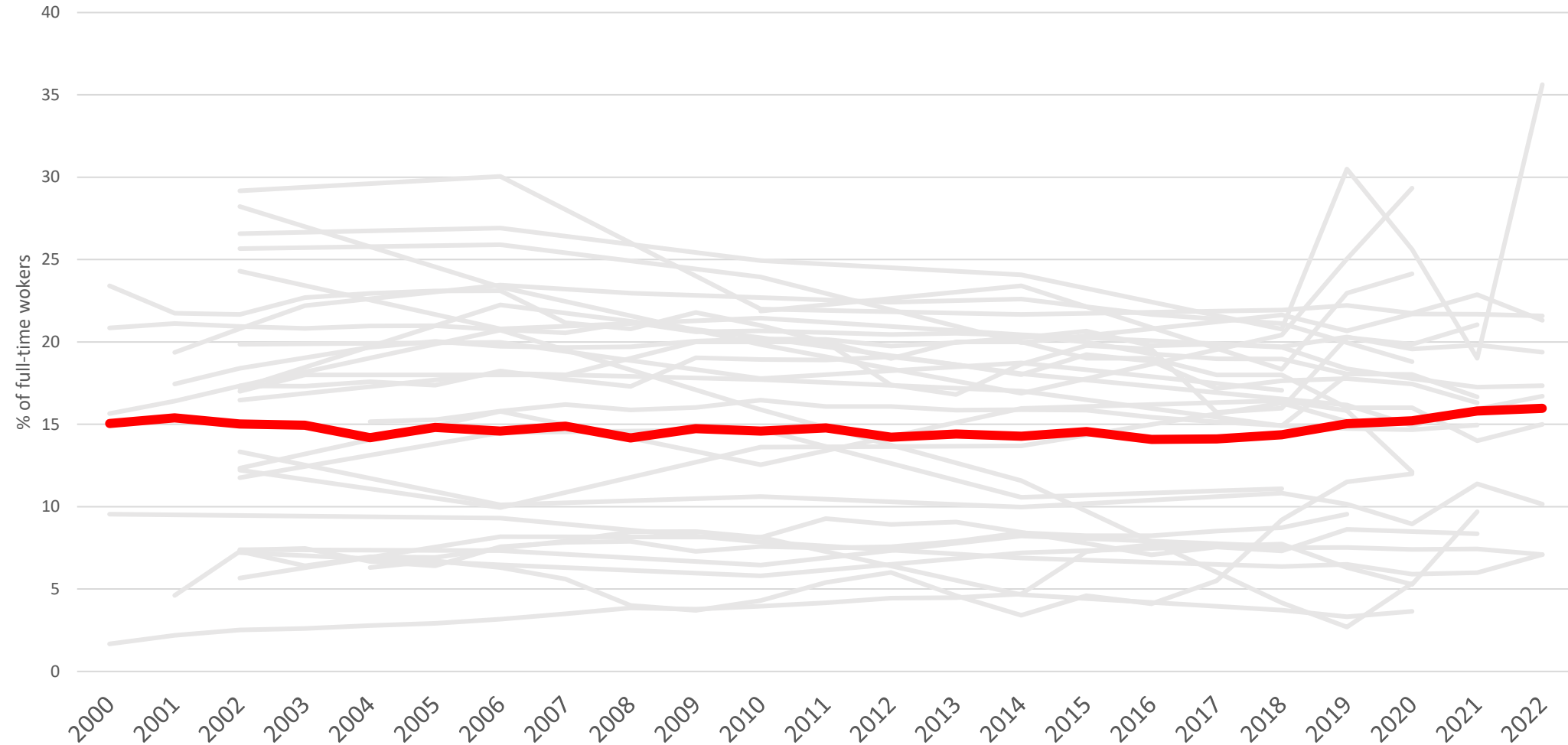
Sources: EU-SILC

Wage floors (gross P10) relative to the poverty line, 2002-2018.



Sources: ESES

Incidence of low pay employment (2/3 median wage), 2000-2022



Sources: OECD