

The end of decent incomes for the poor?

The fatal link between minimum wages and social benefits in the world's most developed welfare states

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The facts

- Taking the perspective of « low income » (less than 60% of median household income) of the working age population
- With a focus on the good years before the crisis
- In the most developed welfare states

Table 5. Summary trends in (pre)AROP and relative poverty reduction, according to geographical clusters

	preAROP			Relative pov red			AROP		
	Δ ECHP '95-'01	Δ SILC '05-'08	Δ SILC '08-'09	Δ ECHP '95-'01	Δ SILC '05-'08	Δ SILC '08-'09	Δ ECHP '95-'01	Δ SILC '05-'08	Δ SILC '08-'09
Scandinavian	↘	↘	↘	↘	↘	↘	↗	↗	=
Anglo-Saxon	↘	↘	↗	=	=	↗	↘	↘	=
Continental with DE SILC	↘	=	=	↗	↘	↘	↘	↗	=
Continental with G-SOEP	=	=	=	↗	=	=	=	=	=
Continental excl. DE	↘	=	=	=	↘	↘	↘	=	=
Eastern Europe	n.a.	↘	↘	n.a.	↗	↘	n.a.	↘	=
Southern Europe	=	=	=	↗	=	=	↘	=	=

Note: AROP = at-risk-of-poverty; pov red = poverty reduction; Scandinavian = DK, FI and SE; Anglo-Saxon = IE and UK; Continental = BE, LU, FR, NL, AT and DE; Eastern Europe = PL, CZ, LV, LT, SI, EE, SK, HU; Southern Europe = ES, IT, GR and PT; ↗/↘ = significant change with 85% ci; n.a. = not available

Why is it that many EU welfare states no longer succeed in pulling closer to those in the middle ?

Low gross wages and net incomes as percentage of the poverty line for couples with two children

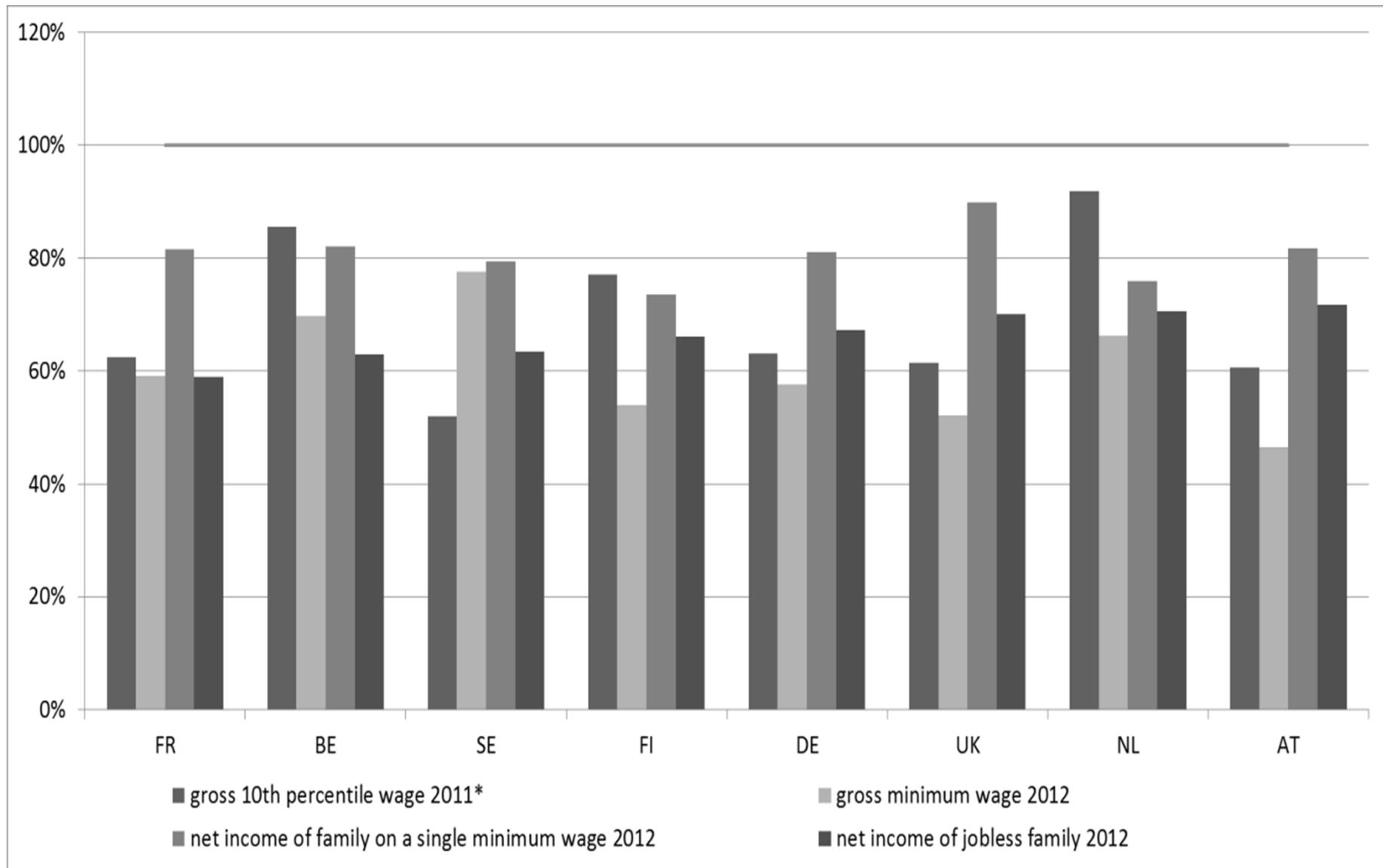
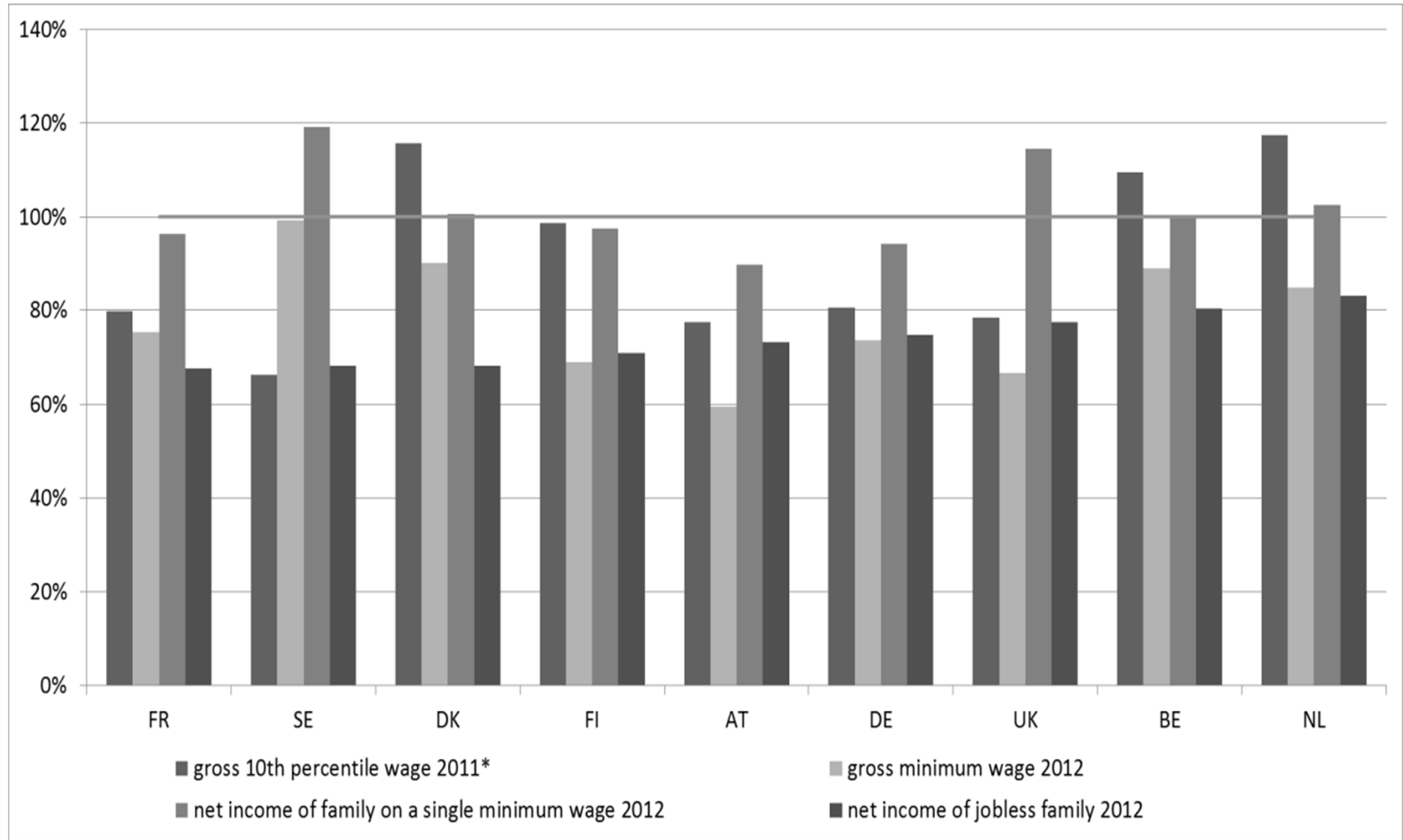


Figure 2. Low gross wages and net incomes as percentage of the poverty line for single parents with two children



Net income jobless/ median household income 1995-2012

AT : +

Be : =

DK : +

Fi : =

Fr : -

Nl : -

Se : -

Uk : -

De : -

Why ?

Hypothesis 1 :

Medians of all *households* increased faster than median *individual* incomes

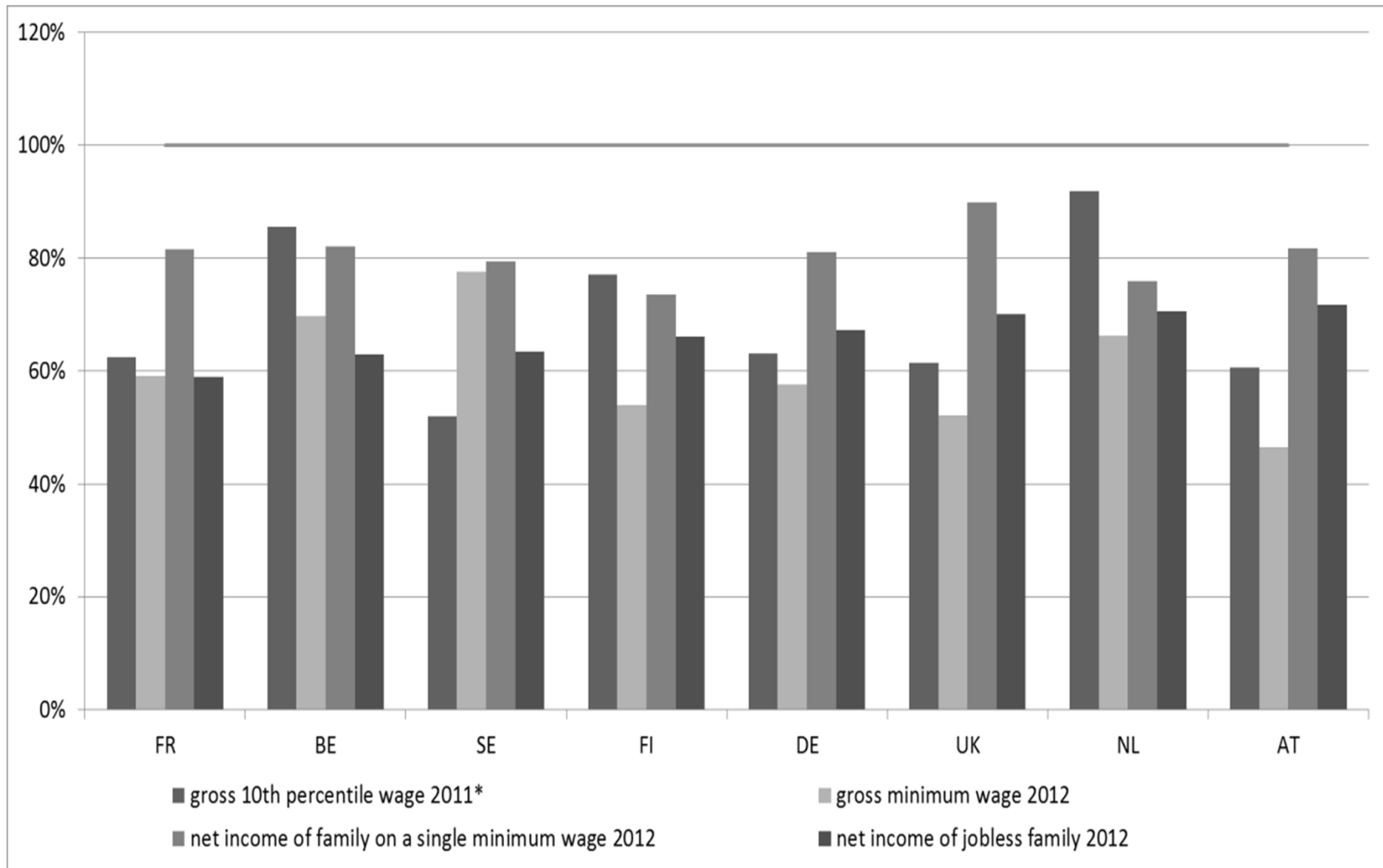
Hypothesis 2 :

Gross low wages lagged behind medians

Hypothesis 3:

Social benefits lagged behind gross low wages

Low gross wages and net incomes as percentage of the poverty line for couples with two children



Summary of results

Middle 2000's before the crisis					
	Hipothesis 1	Hipothesis 2	Hipothesis 3		
			social assistance	unemployment	disability
AT	NO	NO	NO		
BE	NO	NO	NO	NO	NO
DE	NO	YES	NO		
DK	NO	YES	NO	NO	NO
FI	NO	YES	NO		
FR	NO	NO	NO		
NL	NO	YES	NO	NO	
SE	NO	YES	YES	NO	NO
UK	NO	YES	YES		
Total	NO=9	YES=6 NO=3	YES=2 NO=6	NO=4	NO=3
90's					
	Hipothesis 1	Hipothesis 2	Hipothesis 3		
			social assistance	unemployment	disability
AT	NO	NO	NO		
BE	NO	NO	YES	YES	YES
DE	NO	YES	NO		
DK	NO	NO	NO	NO	NO
FI	NO	NO	NO		
FR	NO	YES	NO		
NL	NO	YES	NO	NO	
SE	NO	YES	YES	NO	NO
UK	NO	YES	YES		
Total	NO=9	YES=5 NO=4	YES=3 NO=5	YES=1 NO=3	YES=1 NO=2

Why is it that many welfare states no longer succeed in pulling the incomes of jobless households closer to those in the middle ?

mainly because of sinking low wages

Net minimum wages are the key issue

- not only to combat in-work-poverty
- but also to raise ' the glass ceiling' of social protection for workpoor HH

If the EU poverty targets are to be taken seriously this is where to begin !

- Increase **gross minimum wages** where possible
- **Lower taxes** on low wages and introduce tax credits where needed
- Increase **child benefits**
- Invest in other **cost compensations** (ECEC , schools)
- Implement a **smart design** : progressive universalism