

Luxembourg Income Study Working Paper Series

Working Paper No. 397

**Production of Last Resort Support: A Comparison on Social
Assistance Schemes in Europe with the Notion of Welfare
Production and the Concept of Social Right**

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September 2005



Luxembourg Income Study (LIS), asbl

PRODUCTION OF LAST RESORT SUPPORT:
A Comparison on social assistance schemes in Europe with the notion of
welfare production and the concept of social right

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ABSTRACT:

This paper aims to assess the present social assistance schemes with the model of production of welfare and the concept of social right. The interest is in how different stages of social assistance schemes are linked and how schemes appear when a number of indicators are used. One of the aspects analysed are outcomes, i.e. the prevalence of poverty and the poverty reduction effectiveness. To analyse outcomes the LIS data are used. Six different countries are included into comparison. The findings show that the countries vary to a large extent in their effectiveness of reducing poverty. Further, they indicated that there is some relationship between inputs, outputs and outcomes. Countries with more extensive social security scheme have less extent social assistance schemes. The results indicated also that the countries with less extensive social assistance schemes provide more generous levels of support, while also simultaneously the more generous schemes have smaller prevalence of poverty.

Introduction

The aim of this article is to assess the present social assistance schemes in Europe with the model of production of welfare and the concept of social right. Both these propose us a systematical tool to analyse versatile present social assistance schemes. The notion of welfare production was developed by Hill and Bramley in 1986 and since then it has been used for analysing the relationship between different aspects of social security schemes (e.g. Mitchell 1991; Haataja 1998). The concept of social right in its part is meaningful when analysing social assistance schemes. Last resort social assistance schemes bear an ideological importance from the point of social rights. In a way, one can argue that the essence of social rights is embodied in social assistance. It has been argued that it is truly in the ways that the welfare states make provisions for the destitute that is the best test for the nature of social citizenship (Leibfried 1993, 139). Equally, Stein Ringen (1987) argued that societies should be judged on the basis of how they treat the worst off. Support for the poor represents the core of the welfare state. If nothing else, governments should commit themselves to care for their most vulnerable members and relieve distress among them; that is to say that each civilized society should have at least a minimal welfare state (Goodin 1988, 19).

Six different countries have been selected for the comparison: Finland, Sweden, Germany, the Netherlands, Ireland and the UK. The countries have chosen to represent different kinds of welfare states (e.g. Esping-Andersen 1990 & 1999; Korpi & Palme 1998), and foremost different poverty (Leibfried 1992) and social assistance regimes (Lødemel & Schulte 1992; Eardley et al. 1996; Gough et al. 1997). The selection of countries consists of welfare states different enough to make the comparison interesting and fruitful, while at the same time the countries are supposed to be similar enough to make our comparison meaningful and relevant (Przeworski & Teune 1970, 31-35). In addition to three so-called archetypes of conservative, liberal and social-democratic regimes: Germany, the UK and Sweden respectively, supplementary three countries are included. Those countries can be considered to represent hybrid welfare states, which offer a better mirror and allow more comprehensive comparison than just looking at the three archetypes.

The article adopts a narrow approach to define social assistance and limits itself to general social assistance¹. We are interested in the forms of financial support that are truly last resort, operate means-testing where current income and assets are taken into account, designed to prevent poverty and meant for those whose income is inadequate due to unspecified risk. Following benefits are included into the comparison: the Finnish 'toimeentulotuki', Swedish 'försörjningsstöd', German 'sozialhilfe', Dutch 'Algemene Bijstand', British 'Income Support' and Irish 'Supplementary Welfare Allowance'.

The structure of the article is following: first we present previous comparative studies done in a field of social assistance. Those are presented in the light of done typologies; this

way we can obtain meaningful information on the studied countries. Secondly, the research design is more detailed constructed and argued for. The goal is to illustrate how social assistance schemes can be studied many-sided. After, we move to present the results, and at the end we bring the model together by running some simple correlation and cluster analyses.

Previous comparative research on social assistance

Comparative welfare state research has flourished during the past decades. The main emphasis has been devoted to social insurance schemes. As such, this is not surprising given that in most countries these programmes are a major element in public expenditure and affect all people. In the wake of the growing importance of social assistance, there has also been increasing research interest (Fridberg et al. 1993, van Oorschot & Smolernaas 1993; SZW 1995; Eardley et al. 1996; Guibentif & Bouget 1997; Ditch et al. 1997; OECD 1998a & b; OECD 1999; Lødemel & Trickey 2001; Heikkilä & Keskitalo 2001; Heikkilä & Kuivalainen 2002; Behrendt 2002, Nelson 2003; Kuivalainen 2004). Some have also build classifications of social assistance regimes (Leibfried 1992, Lødemel & Schulte 1992; Eardley et al. 1996; Gough et al. 1997; Gough 2001). These are represented here in order to facilitate the state of art in the field of comparative social assistance research.

Lødemel and Schulte (1992) address institutional arrangements of public support for the poor, whereas Leibfried (1992) refers to variations in the institutionalisation of social citizenship. Both these typologies bear a strong resemblance to Esping-Andersen's typology, however, both them outline the specific nature of Southern European countries (cf. Ferrera 1996). Social assistance regimes suggested by Eardley et al. (1996, see also Gough et al. 1997, 36-37; Gough 2001) do not either map perfectly onto Esping-Andersen's typology of welfare regimes. Simply, there exist more regimes. As such, putting forward more than three regimes is not disclosure; others have also suggested additional regimes (e.g. Castles & Mitchell 1993).

In all of these works, the Nordic countries have formed a distinctive group. The countries are characterised by a market division of social assistance and social insurance, as generous social insurance benefits leave a marginal role for social assistance schemes. Unlike most social insurance benefits, social assistance is administrated at the local level with a high level of discretion and a strong emphasis on social work and treatment. (Lødemel & Schulte 1992.) The marginal character of social assistance shows not only in its small significance within the welfare state, but also in the stigmatising effects of these benefits (see also Lødemel 1997). Leibfried (1992) outlines that in Scandinavia strong positive work incentives are entrenched in the social assistance schemes. Similar findings were found by Eardley et al. (1996) who also point out the marginal role of social assistance and a strict means-test placing more emphasis on the individual among the Nordic countries.

Ireland and the UK have been grouped in the same group. The countries offer social assistance schemes that are unified, closely integrated with non-means-tested social insurance benefits, administrated at the central government level, with strong entitlement, distinct from social work and a high degree of standardisation. Typical is the dominance of a large, national, general programme providing an extensive safety net. (Eardley et al. 1996.) The countries put a strong emphasis on work and strong positive work incentives are entrenched in the social assistance schemes (Leibfried 1992). Characterising features are that rights are relatively well entrenched and the means-test contains important disregards to some work incentives. A fact that work incentives are established is much in line with a liberal welfare state regime doctrine.

Germany and the Netherlands were similarly grouped in Leibfried's (1992) and Lødemel and Schulte's (1992) work. The schemes were characterised by a medium degree of division between social insurance and social assistance (Lødemel & Schulte 1992). Separate categorical schemes exist alongside general schemes providing support for specific groups in the population. In more recent work, the classification of the German and Dutch schemes has been fluctuating. Germany was first (Eardley et al. 1996, 169) classified together with Britain, Ireland and Canada into a welfare state with an integrated safety net. In later work, it was grouped more traditionally with France, Belgium and Luxembourg into the dual social assistance regime (Gough et al. 1997). These countries provide categorical assistance schemes for specific groups. Schemes are, like in the Nordic countries, administrated at the local level. Distinctive from the Nordic countries, the means-test is moderately flexible. In their first work (Eardley et al. 1996), the Netherlands was classified with the other Benelux countries and France as a dual social assistance poverty regime. In their later work (Gough et al. 1997), the Netherlands was categorised together with the Nordic countries into a same regime².

Building up the scheme

The model of production of welfare was developed by Hill and Bramley (1986) to analyse social policy programme. In our work, the model is used to assess the different stages of social assistance. In a simple form, when applying this model to social security transfers inputs refer to resources allocated at the aggregate level to social assistance and include the amount of actual payments; production refers to the policy instruments used to distribute social assistance and indicates on what grounds benefits are granted; outputs include the level and the incidence of social assistance payments; while outcomes refer to the final distribution of income or welfare, how effective social assistance schemes at the end of the day protect against poverty. The model is not used in a strict form, but rather it offers a meaningful tool to carry out systematical analyses of present social assistance schemes.

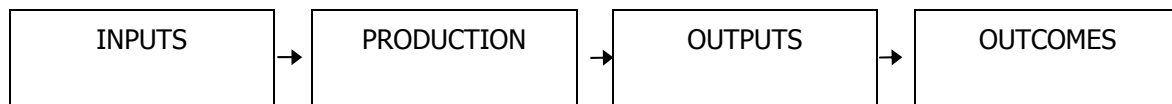


FIGURE 1. A simplified model of production of welfare (Hill & Bramley 1986, 180)

Each of these stages of welfare production can also be regarded as indicating the functioning and the nature of social rights within a country. The inputs refer to the extent of social assistance within the social protection system. The argument put forward is, the more extensive social assistance schemes are, the weaker social rights simply because benefits are granted on the basis of means-testing. Production of social assistance refers to the policy instruments used to distribute social assistance, namely the rules governing eligibility and entitlement to social assistance. Here, the underlying thought is that when access to last resort financial help is the least regulated, i.e. the less restricting rules there exists, the more extent the status of social rights is. Outputs of social assistance relate to the levels of support social assistance guarantee in relation to the average income level. The higher the levels of support, the better social rights are. Finally, outcomes concern the overall functioning of social assistance schemes and the indicators of this refer to the poverty status of households dependable on social assistance and the poverty reduction effectiveness of social assistance. Next, we present more detailed the grounds how and why the different stages of welfare production can be used to study social assistance schemes in terms of social right (Figure 2.). Doing this, the concept of social right is also operationalised.

Inputs

The amount of resources allocated to social spending is generally thought of indicating the extent of citizens' social rights (Kangas 1991, 39). The share of social security expenditure as a percentage of Gross Domestic Product (GDP) is the most used indication of how much a country spends on social welfare. Traditionally, when the welfare states have been studied according to social expenditure levels, it has been implicitly assumed that higher spending levels lead to more comprehensive social protection. Moreover, a relationship has been assumed between the level of social spending and the level of economic prosperity (see Wilensky 1975; Korpi 1980; Therborn 1987; Mitchell 1991). It is commonly thought that the more social provision is distributed on the basis of universalism instead of means-testing, the more developed social rights are. If benefits are allocated on the basis of means-testing, only to the very poor, government's commitment is weak. When benefits are granted on the basis of citizenship rather than need, social rights are more likely stronger (cf. Esping-Andersen 1990, 22-23). The amount of resources in last resort social assistance can thus be seen as a central indicator of the extent of social rights. The data on social assistance expenditure are

derived from national official annual statistics. The reader should bear in mind that data is not wholly comparable, and it may include some disparity.³

Production

Social assistance is a kind of public support provided to those living at the margins of the welfare state, as its' key function is to guarantee a minimum level of substance to those without sufficient means. Since any concept of social rights should include a right to the means of subsistence, the question is therewith, how different welfare states cater help in form of social assistance. Social rights are extremely momentous to those citizens living at the margins of welfare state, since rights provide that kind of capacities they would otherwise not have. When social rights have been studied (e.g. Palme 1990; Kangas 1991), the focus has been on how a right to a certain benefit is gained. The institutional framework of social assistance schemes provides certain rules that regulate access to social assistance (Behrendt 2002, 89). In principle, it considers on what grounds and under which principles social assistance is granted? Means-testing and the other conditions related to the entitlement are the most crucial factors when it comes to last resort support (Esping-Andersen 1990, 48). The most significant other condition with regard to social assistance concerns the conditions related to work. These two aspects are analysed in this article: means-testing and the conditions related to work (broadly referred work-testing).

The principle of assessment of means implies a decision about how much of the available private resources should be consumed before there is a call on public assistance (Eardley et al. 1996, 61). This clearly indicates the extent of the responsibility both of the state and the individual, as well as the family. The less conditions there are to be met, the more extent a citizen's right is and consequently the greater society's obligations. The same assumption is hold with work-testing. Data in this part is qualitative and consist of the national legislation and the governmental reports.

Outputs

Following T.H. Marshall's (1950) well-known thoughts: "The provision of a certain minimum income for all members of a society sets out the core of social citizenship". An important aspect is then what is the level of subsistence social assistance grants and is it sufficient to help recipients to participate in the normal standards of living prevalent in society. Outputs of social assistance are analysed at the individual or household level in terms of the benefit levels, i.e. the generosity. The aim is to look at the positive aspect of social rights. A general assumption is that the higher the level of income in relation to prevalent level of earnings in society the greater social rights. If the level of public support lacks far behind the average level of income, it is rather difficult for people living on this support to participate in the prevailing ways of living in one's society. Model family technique is utilised

in order to get comparative data on income levels. (See Appendix 1. for more on the method and data.)

Outcomes

The purpose of social citizenship is to entail material well-being, thus one can consider that poverty is antithetical to full citizenship (cf. Lister 1990). According to Marshall (1950), poverty is the enemy of modern society. Poverty represents a strategically important limit for the concept of social citizenship, as it prohibits citizens to act as full-members of society (Roche 1992, 55). Social assistance schemes are explicitly designed to protect against poverty. Therefore, it can be thought that poverty among social assistance households and the effectiveness of social assistance schemes to alleviate poverty reveal a realisation of social right. Outcomes refer to the final effect of social assistance. The aim is to look at the negative aspect of social rights. In order to examine the poverty among the social assistance recipients and the effectiveness of social assistance schemes the LIS database are used. The lower poverty among the recipients and the higher the poverty reduction effect, stronger the social rights. (See Appendix 2 for more information on data and method.)

Measures of social assistance			
INPUT Extent	PRODUCTION Nature	OUTPUTS Generosity	OUTCOMES Effectiveness
Indicators:			
- Social assistance expenditure as a share of (%) total social protection expenditure	- Conditions of entitlement: means-testing and work-testing	- The absolute level of social assistance - Relative level in relation to average earnings	- Poverty among recipients before and after social assistance indicating the effectiveness of social assistance
Data:			
Quantitative aggregate data: national statistics and EUROSTAT	Qualitative: primary data e.g. legislation	Quantitative: data from the model family technique	Quantitative: data from LIS-data

FIGURE 2. The research design

The aim of this article is to assess these different aspects of social assistance schemes in terms of social right. Our interest is in how these aspects correlate. Is it so, that schemes that are marginal in their extent, have also less strict rules governing access to last resort support provide more generous levels of support and at the final stage achieve better protection against poverty. Several hypotheses can be put forward on the basis of the general welfare regime theory and the earlier comparative knowledge on social assistance. Relating to inputs, it can be assumed that in the two Nordic countries, the extent of social assistance is most marginal due to well-developed welfare state policy and institutionalised social policy model.

On the contrary, in countries with more residual social policy the reliance on last resort support is expected to be higher, those namely being Ireland and Britain. With regard to production, the rules governing last resort support, the presumption is more ambiguous. On one hand, according to the general welfare state theory the rules can be expected to be the most modest in Finland and Sweden; in the Scandinavian welfare states the social rights have been well established. On other hand, in accordance with the earlier knowledge on social assistance, the rules with regard to means-testing have been found to be more modest among the Anglo-Saxon countries. Outcomes and outputs are assumed to be the highest among the two Nordic countries, whereas in Ireland and Britain they are supposed to be the lowest. The Scandinavian countries have been characterised by a strong degree of decommodification and benefit quality (Esping-Andersen 1990) as well as being comprehensive and effective in protecting against poverty (Mitchell 1991; Esping-Andersen & Korpi 1987, 39). The two countries representing conservative regime are expected to be found between the countries representing the liberal and Scandinavian model.

The analyses of present social assistance schemes are carried out at three levels: macro, institutional and micro. The macro level investigation focuses on the aggregate indicators, while the micro level focuses on the outputs and outcomes of assistance. At the institutional level, interest is in the rules governing assistance and determining the social rights to a last resort financial support. By doing this several approaches and the combination of different kinds of data, both quantitative and qualitative, are used. The data is for the year 2000, unless otherwise specified.

Results

Extent of social assistance

Findings show for one thing that, in comprehensive welfare states the extent of last resort schemes is more marginal than in countries with less extent social security schemes. This finding gives support to the general hypothesis that the institutional welfare model countries rely, to a lesser extent, on residual measures. In the two Scandinavian countries considered in this study, social assistance schemes are less extensive. Conversely, in the UK, the reliance on social assistance is greater, which can be taken as a sign of its liberal regime type. Germany and the Netherlands are both relatively high welfare-spending countries and at the same time spending on social assistance is significantly at a lower level than in the UK, but at a higher level than in Sweden or Finland.

Even though Ireland is commonly clustered together with the UK, the Irish scheme deviates itself in the extent of social assistance. Ireland, yet seen as a country with a highly means-tested social security scheme (see e.g. European Commission 2002; Eardley et al.

1996, 32-38), spends a surprisingly small share of its' social expenditure in Supplementary Welfare Allowance. This still holds true in spite of the growing share of social assistance expenditure in the 1990s. The share spent on general social assistance is slightly over the levels of Finland and Sweden.⁴ In Ireland the importance of general social assistance is marginal, yet it has been claimed that the Irish system is moving towards a more integrated scheme of social assistance (Eardley et al. 1996, 169). The importance of means-tested benefits still lays more on the specific forms of categorical assistance than on general forms of social assistance (Kuivalainen 2004).

TABLE 1. Social assistance expenditure as % of social protection and social protection expenditure as % of GDP

	FIN	S	D	NL	IRL	UK
Social assistance expenditure as % of social protection	1,3	1,4	3,9	3,5	2,0	5,1
Social protection expenditure as % of GDP	25,2	32,3	29,5	27,4	14,1	26,8

Source: National statistics⁵ & Eurostat (2003)

The countries considered here form at least two separate groups. Finland, Sweden and Ireland represent countries with a less extensive social assistance in terms of spending. Yet, Ireland differs in many aspects a lot from the two Nordic countries, the importance of general assistance is at the same level as it is in the two more prosperous countries with more extensive social protection schemes. Germany, the Netherlands and the UK form another group, as they have spending on social assistance above the average level. The UK could also be considered as forming a group of its own, as spending on social assistance is clearly higher than in Germany and the Netherlands.

Nature of social assistance

With regard to the entitlement rules findings are, as expected based on earlier research, not straightforward. Opposite to general assumption, it is in Sweden, where means-testing is the most stringent, whilst in the UK, the ways in which earnings and assets are taken account are most liberal. The German and Dutch schemes also display rather lavish rules. The examination of the Finnish and Irish social assistance schemes shows contradictive findings to earlier knowledge. The Nordic social assistance schemes have been characterised as having relatively strict means-testing (Eardley et al. 1996; Lødemel 1997; Bradshaw & Terum 1997; Fridberg et al. 1993). However, this does not hold true any longer for the Finnish social assistance scheme - the changes introduced to the Finnish social assistance scheme have made means-testing less strict. On the contrary, the Irish social assistance scheme has been characterised as having lavish means-testing (Eardley et al. 1996, 66-67). Nonetheless, with

regard to Supplementary Welfare Allowance means-testing is on the contrary quite strict. It appears that the Irish scheme is residual not only with regard to extent, but also in the ways income is considered.

The other important aspect is the work-testing. The UK and Ireland form a distinctive group: in these two countries social assistance is only intended for those who are not engaged in full-time work, and the work-test is not emphasised among general social assistance recipients. In principle, this practice can be seen mirroring the liberal idea that the welfare state should comfort only those people whose earnings capacity is limited. Sweden and Germany bear similarities to each other: the law had required recipients to seek work actively and to accept offered work since the introduction of modern social assistance, but the requirements were not stressed until the 1990s, when the policy changed and stricter conditions were set especially for working-age recipients and presently all recipients have an obligation to actively seek work and accept work and training offers. The Dutch scheme resembles the Swedish and German schemes in that the work-test is a predominant aspect of current social assistance scheme, and the work-test is applied to all recipients. Finland differs to some extent from the other three countries. The statutory obligation to register with the unemployment office and to participate in offered training was introduced rather late from a comparative perspective, in 2001. Likewise, the work obligation concerns only young recipients.

TABLE 2. Main features of entitlement rules

	FIN	S	D	NL	IRL	UK
Means-testing	All income and assets are taken into account, small parts are disregarded	All income and assets are taken into account	Some parts of earnings and assets are disregarded	Some parts of assets are disregarded and earnings can also be disregarded	All income is taken into account, some parts of assets are disregarded	Some parts of earnings and assets are disregarded
Work-testing	To register as unemployed with unemployment office; young must also take part in activation programme	To seek work actively and to accept offered training or work; young recipients and those with special need must take part in activation programme	To accept any reasonable type of work	To seek work actively, register as unemployed and to accept suitable work; conditions related to work concerns all recipients	To register with FÁS, the unemployed are not normally entitled to SWA	None, the unemployed are not normally entitled to Income Support

The countries included in this article bear interesting characters with regard to the rules governing the entitlement. Sweden has the strictest rules, whilst in the UK they are the most modest. Finland, Germany, the Netherlands and Ireland lay between these two ends bearing some similarities and differences. While the Dutch scheme ignores a significant part of assets, the German scheme displays more lavish rules for earnings. The Irish scheme takes into all income, but at the same time general social assistance does not include a strict work-test. The Finnish scheme in its part disregards a part of earnings, but imposes all at once some conditions for work availability.

Generosity of social assistance

The levels and generosity of social assistance schemes are compared in relative terms. The analyses provide information on the positive realisation of social rights together with outputs of social assistance. It can be assumed that if the income levels of last resort support lack far behind the average income level of the society, the participation in the normal way of living is unattainable. Table 3 displays the level of social assistance as a proportion of defined average production worker's wage.

TABLE 3. Levels of social assistance for defined model families as a proportion of average wage, in 2000

	FIN	S	D	NL	IRL	UK
Single adult	48	56	40	40	44	36
Single young	48	56	40	19	44	31
Single elderly	50	67	44	61	48	46
Lone parent + 1 child	70	77	64	61	59	58
Lone parent + 2 children	95	112	80	70	74	75
Couple	39	45	31	42	37	29
Couple with 2 children	58	64	44	46	44	48
<i>mean</i>	<i>58</i>	<i>68</i>	<i>49</i>	<i>48</i>	<i>50</i>	<i>46</i>

Findings show the two Nordic countries having the highest relative income levels of social assistance. This supports the assumptions of the ideal-typical Nordic model, providing relatively high levels of support. In the UK, the levels are the lowest, which further gives support to the general hypothesis of welfare state models. Nonetheless, the relative levels of social assistance of the British scheme do not, on average, fall far behind the rest of the three countries. In Sweden and Finland, the level of social assistance is, on average, between 60 and 70 per cent of the average production worker's wage, whereas in the other countries the rate is roughly around 50 per cent. It should be remembered that the results are illustrative and, to some extent, sensitive to the choices made by the researchers (Kuivalainen 2003), and both the researchers and readers should be aware of this. For instance, the Netherlands would rank higher if the 20 per cent discretionary premium were included for single adult families.

The studied countries make at least two distinct groups. Sweden and Finland deviate from the others, having more generous support. The rest four countries display lower levels of support, the UK offering the lowest levels.

Effectiveness of social assistance

The outcomes of social assistance schemes are assessed in terms of poverty incidence and the poverty reduction effectiveness. The questions addressed reveal the functioning of the key aim of social assistance: the alleviation of poverty. Concurrently, it reveals that the realization of social rights from a negative aspect became possible.

TABLE 4. Poverty rates (%) for recipient households before and after social assistance and reduction through social assistance

	FIN	S	D	NL	IRL	UK
Poverty before social assistance	25,9	55	82,5	86,3	40,8	49,2
Poverty after social assistance	10	21,6	61	26,9	33,1	14,7
Absolute reduction (% units)	15,9	33,4	21,5	59,4	7,7	34,5
Relative reduction	61	61	26	69	19	70

Source: Own calculations from LIS.

The share of recipient households living in poverty before social assistance vary from 26 (in Finland) to 86 (in the Netherlands) per cent between countries. After social assistance, the share of households living in poverty is substantially lower varying from 10 (in Finland) to 61 (in Germany) per cent. This shows that a large number of recipient households are lifted out of poverty because of social assistance. With the exceptions of Ireland and Germany, a majority of recipient households classified as poor before having had any social assistance are lifted above the poverty line after the receipt of benefit. In the Netherlands and the UK, 70 per cent of all recipient households being poor before social assistance are brought out of poverty. In these two countries, social assistance is effective in alleviating poverty among the households having received social assistance. In Finland and Sweden, the impact of social assistance is at an equal level; of all recipient households living in poverty before social assistance, 60 per cent were not living in poverty after having received social assistance.

Earlier studies (e.g. Mitchell 1991; Atkinson et al. 1995; Fritzell 2001, Ritakallio 2002) have shown poverty to be less extensive in the Nordic countries and more widespread in Anglo-Saxon countries. When poverty among social assistance recipients is concerned, our findings partly confirm the results as well as dispute them. Contradictory findings are discovered in relation to Germany and the UK. In Germany, the poverty rate among social assistance recipients is much higher than could be assumed. On the contrary, the British social assistance scheme seems to be effective in securing well-being among recipients households as the poverty rate is significantly at a lower level than in Germany.

Taking the two aspects into consideration: poverty reduction effectiveness and prevalence of poverty among recipient households, it is clear that Germany and Ireland form a

distinctive group, whereas Finland, Sweden, the Netherlands and the UK stand out having social assistance schemes effectively reducing poverty. If the prevalence of poverty among social assistance recipients is taken into account, precedence of the Finnish and British scheme is been further distinguished.

Patterns of social assistance schemes

In this work, the aim is to assess social assistance schemes in terms of social rights with the model of production of welfare. Table 5 summarises the main findings by ranking the countries into three groups for each stage of welfare production. Here, it is important to bear in mind, that the clear-cut cases are rare and that the researcher must group the cases in the most suitable way. Worthy of note is also that we only consider the countries included in this study. If the number of cases (i.e. countries) would have been greater, the grouping might be different.

Inputs refer to the proportional amount of resources used for social assistance as a percentage of total social expenditure. Production refers to the entitlement rules, and more so, to means- and work- testing. A high value implies that both types of testing are strict, whereas low means that part of income is disregarded and the conditions related to work availability are weaker than on average. Outputs refer to the level of social assistance in relation to the average wage. Finally, outcomes refer to the incidence of poverty among social assistance recipients. A value of low indicates that poverty among social assistance recipient households is low and that the poverty reduction effect of social assistance is high and vice versa.

TABLE 5. Poverty rates (%) for recipient households before and after social assistance and reduction through social assistance

	INPUT Extent	PRODUCTION Entitlement rules	OUTPUT Generosity	OUTCOMES Poverty rate
FIN	low	medium	high	low
S	low	high	high	medium/low
D	medium	medium	medium	high
NL	medium	medium	medium	medium/low
IRL	low	medium	medium	high
UK	high	low	low/medium	low

It is rather safe to argue that functioning of social assistance is tricky. Both Scandinavian countries, particularly Finland, are closest to what one might consider, from a social rights point of view, the ideal case. The extent of social assistance is marginal in society, social assistance provides rather high levels of support in relation to society’s normal income and the recipient households are protected quite well against poverty. Only with regard to

production, i.e. to the entitlement rules governing access to last resort support, the schemes make an exception to the 'ideal' situation, as the entitlement rules governing access to last resort support in the final stage are to some extent restrictive. Strict means-testing has been a character associated with the Nordic social assistance schemes (Halvarson and Marklund 1993; Eardley et al. 1996; Lødemel 1997). This feature characterise the Swedish social assistance scheme, not only with regard to means-testing, but also to work-test. As pointed out earlier, the Finnish social assistance scheme has during the past years become less strict with regard to means-testing. However, the Scandinavian countries restrict social assistance to the poorest groups of population; with strict means-testing they eliminate 'better-off' households outside last resort support. Nevertheless, at the same time, they achieve marketable reduction of poverty by social assistance and provide high levels of support to those whose means to make ends meet are low. Taking into account that expenditure on social assistance is low, the Nordic social assistance schemes can be considered effective.

The Irish scheme resembles the two Nordic schemes to some extent. The inputs of last resort schemes are low, indicating the marginal extent of social assistance. Like in Finland and Sweden, there are some restrictions with regard to means-testing. Further, the Irish scheme offers rather generous level of support to those households entitled to social assistance. However, what differentiate the Irish scheme are the outcomes. In Ireland, social assistance failed to alleviate poverty. This is a good example that there is not a straightforward relationship between high outputs and good protection against poverty. Similar support for this argument was found with the British scheme, which offered on a relative basis lower levels of benefits, but still succeeded to protect families on social assistance well against poverty. The British scheme, which is considered as representative of liberal welfare state, offered in line with the general assumption the lower levels of support, yet at the same time had the least restrictive rules governing entitlement. The two countries of conservative regimes are interesting. While the extent of social assistance was at the medium level, as were the rules governing social assistance, the outcomes and outputs were very different between countries. The Dutch social assistance scheme succeeded well in protecting families on social assistance against poverty, the German scheme had low levels of outputs and, partly as a result of that, also had weak protection against poverty. Taken together, the functioning of social assistance is complex, as noted, two countries although having high levels of outputs can still have very different final outcomes.

Next, some correlation analyses⁶ are done in order to observe whether there is any evidence of affiliation between different stages. We test two relationships: first the correlation between inputs and outputs and secondly between outputs and outcomes (Figures 3 and 4). Looking first at relationship between inputs and outputs, namely the extent of social assistance (a share of social assistance expenditure from total social security spending) and the generosity (level of social assistance in relation to average wage) we see that these two

dimensions correlate. There is, in fact, a strong correlation. Countries with less extensive social assistance schemes provide more generous levels of support. Eardley et al. (1996, 167) ran a similar analysis and came to the conclusion that these two aspects did not correlate across countries. However, with our selection of countries the relationship is apparent.

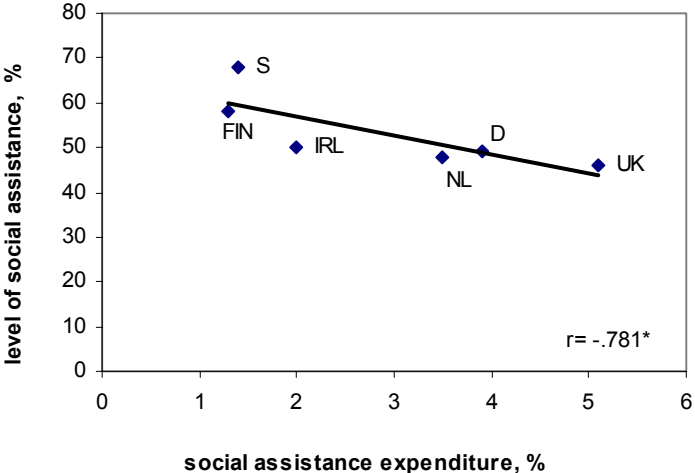


FIGURE 3. Inputs and outputs

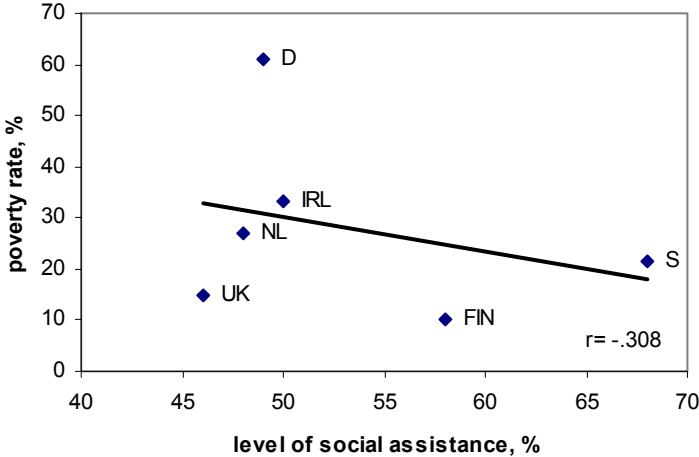


FIGURE 4. Outputs and outcomes

Findings confirm that there is relationship between the generosity of social assistance and the incidence of poverty among recipient households; although the relationship is not significant. It appears that a high level of support leads to better protection against poverty. Sweden and Finland, offering the highest levels of support in relative terms, also succeed to have low levels of poverty for social assistance recipients. This is, however, a generalisation and should be interpreted with caution. Although Germany and Ireland offer rather similar levels of support than the United Kingdom and the Netherlands, the incidence of poverty among households having received social assistance is very different.

Finally, we aim to classify countries studied here into groups. This is achieved with a simple statistic technique, cluster analysis as done by Hölsch and Kraus (2004) and Gough (2001). As noted in the beginning, the results on social assistance typologies have also been, to some degree, fluctuating especially with regard to the German and Dutch social assistance schemes. Against this - partly ambiguous background - it becomes engaging to see how countries cluster with more recent data. Cluster analysis measures the distance between cases, in our case countries, on a combination of dimensions and uses this to identify groups of cases within which there is considerable homogeneity and between which there are clear boundaries. There are two main clustering techniques: hierarchical cluster analysis (HCA) and k-means cluster analysis (KCA). We employed hierarchical cluster analysis; it begins by finding the closest pair of cases (using the normally used squared Euclidean distance) and combines them to form a cluster⁷. The algorithm proceeds one step at a time, joining pairs of

The Irish and British last resort social assistance schemes are similar with regard to eligibility rules. A distinguishing feature for them from the other countries is that general social assistance is not available to those who work full-time. Both countries display a large number of separate categorical benefits, and general social assistance is primarily intended for those who are considered non-able-bodied. Despite that, the role and extent of general social assistance is very different between Ireland and the UK. In Ireland, general social assistance, Supplementary Welfare Allowance, is temporary and residual and intended for the very poorest as means-testing is clearly stricter than in the UK. The outcomes are also very different between the two Anglo-Saxon countries. While the British social assistance scheme achieves marketable poverty reduction due to social assistance benefit, the Irish social assistance scheme is inefficient in bringing families receiving assistance above the poverty line. This feature clearly differentiates these two countries.

As pointed out above, the classification of the Netherlands and Germany has been problematic. In our work, Dutch social assistance is much closer to Finnish and Swedish social assistance schemes than to the German social assistance scheme. The institutional reform introduced to the Dutch scheme in 1996 has brought further significant changes. After the withdrawal of category type unemployment assistance and the introduction of more extensive general assistance, the Dutch social assistance scheme cannot be classified into the dual social assistance regime. The role of categorical assistance is marginal nowadays in the Netherlands. The outputs and outcomes of the Dutch social assistance scheme are also close to those of the Finnish and Swedish schemes. Based on our analysis, one can argue that Germany does not group into same cluster with the UK. The German social assistance scheme diverges in many aspects from its British counterpart, particularly with regard to the generosity and effectiveness to alleviate poverty. The German and Dutch social assistance schemes diverge from each other in the structure of social assistance schemes. While the Netherlands has moved more towards one all-encompassing scheme, Germany has started to have more separate categorical social assistance benefits during the past years and is, thus, nowadays more dual in its nature than the Dutch social assistance scheme.

Conclusion

The starting point of this article was to enrich existing comparative knowledge on social assistance, and with this increase the understanding on the overall functioning of last resort schemes. Social assistance schemes are momentous in many ways. They bear an ideological importance from the point of social rights. From a historical point of view, social assistance schemes have a long tradition, as they were the first form of collective support. For the most important thing, last resort social assistance schemes are the key tool against severe income poverty. When other financial resources are lacking, social assistance steps and forms an ultimate safety net for people in vulnerable situations. From the point of view of the very basic aims of social policy, namely poverty alleviation, the comparative understanding of social assistance schemes is of utmost important.

The utilisation of the welfare production model offered a fairly useful and systematical tool to analyse present social assistance schemes. A combination of different kinds of data, both qualitative and quantitative, enabled us to versatility assess the social assistance schemes. We were able to identify some relationship between different aspects of social assistance, however, at the end of the day the question why schemes produce the outcomes they do remains, to some extent, shadowed. There is definitively a need for in-depth kind of studies on social assistance; for these, statistical and methodological manners must be diversified. In order to fully understand the compound factors contributing to the need for social assistance, more solid and sophisticated analyses and studies are crucial – both national and cross-national. This is a central aspect in future work to understand the role of social assistance in society. The utilisation of new kinds of data, such as the European Community Household Data (ECHP) is also important. With data of this kind, more comprehensive analysis can be drawn and the utilisation of such data in the future is more than necessary in order to better understand the functioning and the dynamics of social assistance.

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Appendix: 1

Model family technique is a technique that is based on defined model family types, to whom the value of social assistance is calculated. Defining model families represents a form of simulation, where the impact of national policies is simulated on the model families, and where the aim is to describe the outcomes and operation of social programmes at an individual level. In order to operate, the method requires plenty of specifications and assumptions to make the cases comparable and the situations identical across countries. The model families are selected so that they reflect typical family types receiving social assistance and moreover that they are reflecting families in different life situations. Seven different types of families were chosen. The income situation is specified to be such that would represent the worst case scenario, that is that they are not entitled to any earnings or contribution-based benefits. (See more Kuivalainen 2004.)

The income levels of social assistance are compared to the average production worker's wage (APW). The OECD produces data on regular bases (2002). In a case of one adult family we use single person take-home pay (net income) average production worker's wage (100 APW), and compare it to the income levels before housing costs. In a case two adult family we use two adults with two children average wage, that correspond to the average (100 APW) and two-third of average (67 APW), that in its part refers to female wage.

Appendix: 2

Luxembourg Income Study (LIS) is a collection of household income surveys that are harmonised in order to enable comparative studies for different countries (see more www.lisproject.org). The most typical way of analysing the redistributive impact of the welfare state is to compare the pre- and post-redistribution poverty rates. Basically, this method addresses the question - how many individuals are lifted out of poverty by welfare state action. The analyses are carried out in order to evaluate how social assistance schemes succeed in alleviating poverty and to what extent the receipt of social assistance brings households out from poverty..

LIS data include information on means-tested benefits. Means-tested benefits can include both cash and near-to cash benefits. In LIS data means-tested cash benefits are included in an income variable V25 and near cash benefits in V26; together these two form an income variable called means-tested benefit (MEANSI). Since our primary interest is in general assistance, we will assess the effectiveness of social assistance to reduce poverty concentrating only on general assistance, which is defined as income variable V25S1 (called social assistance in LIS data).

We limit the study to poverty in financial terms and use the relative approach in measuring income poverty. This means that we define as poor those households that have an equivalent income below a certain threshold representing the level of well-being of the population in a specific country. The poverty line is set at 50% of the median equivalent income. The impact of social assistance to reduce poverty is measured using the standard methods. The absolute impact of a social assistance scheme is the difference between the poverty rates based on disposable income before social assistance and the poverty rates after social assistance, i.e. the disposable income. The poverty line is kept constant. The analysis based on disposable income before social assistance provides an estimate of poverty in a hypothetical situation without any kind of social assistance to be paid. The absolute reduction in poverty is the percentage point difference between the poverty rates before and after social assistance. The relative reduction in poverty is the $(\text{pre social assistance poverty rate} - \text{post social assistance poverty rate}) / \text{pre social assistance poverty rate} * 100$.

Poverty can be measured either on a household/family or individual basis. Since social assistance benefits are almost without exception granted to households, the household is selected as the primary unit of analysis. To adjust for family size, the "traditional" OECD equivalence scale is used.

Appendix Table 1. Data-sets used in the analyses (LIS-data)

COUNTRY	YEAR	NAME OF THE DATASET	SIZE OF DATASET
FIN	2000	Income Distribution Survey	10,423
S	2000	Income Distribution Survey (IDS)	14,491
D	2000	Social-Economic Panel (GSOEP)	6,052
NL	1999	Dutch Socio-Economic Panel	5,007
IRL	2000	Living in Ireland Survey/ European Community Household Panel	2,945
UK	1999	Family Resources Survey	23,970

¹ This is much in line with Ivar Lødemel (1997, 7), who considers Eardley et al.'s (1996a) way of defining social assistance as too broad. According to him, it leads to the inclusion of programmes that are not in a true sense last resort, such as housing benefit. Many means-tested categorical programmes are built-up of period of social security and cannot be uniformly referred to as social assistance. Despite that, housing benefit is intended in most countries for low-income households, however, the means-testing differs from general assistance, as it is more "generous". In addition, housing benefit is not a last resort since in most countries housing expenditure is taking into consideration also in social assistance schemes. Often a test of resources differs quite substantially between categorical assistance and general assistance.

² The Dutch welfare state is understood by Esping-Andersen to share characteristics of both a conservative and social-democratic regime, and for example, Goodin et al. (1999) used the Netherlands to represent the Scandinavian welfare state in their study.

³ Comparative data on social assistance are fairly problematic, since there is no comparative data on social assistance expenditure (Eardley et al. 1996, 32). Eurostat statistics include information about the expenditure of means-tested benefits and social exclusion, but the inclusion of benefits is unfitting (Eurostat 2003).

⁴ A report by the Combat Poverty Agency (1991) noted already in the beginning of the 1990s that the Supplementary Welfare Allowance scheme was mainly being used to cover the deficiencies in the mainstream social welfare services to a much greater degree than was originally envisaged.

⁵ Finland: Social assistance statistics collected by the National Research and Development Centre for welfare and Health; Sweden: Statistics on financial assistance based on individual data produced the National Board of Health and Welfare; Germany: Statistics produced by Statistisches Bundesamt; the Netherlands: statistics delivered by Ministry of Social Affairs and Employment and the Statistical Office; Ireland: Statistical Information on Social Welfare Services produced by Department of Social and Family Affairs published by the Stationery Office; the UK: Quarterly Statistical Enquiry by the Department of Work and Pensions.

⁶ We have used the Pearson's correlation coefficient. The strength of the probability that there is a correlation between two factors is indicated by the number of asterisks following the r value. If there is zero asterisks there is no significant probability of correlation, one asterisk * indicates that there is a fair probability of correlation ($p=0.05$), two asterisks ** indicate that there is a strong probability of correlation ($p=0.01$) and three asterisks *** indicate very strong probability of correlation.

⁷ The k-means cluster analysis was also done to test the results. The hierarchical cluster analysis technique adequately confirms the analysis achieved with k-means technique.

⁸ With regard to means-testing, income- and assets-testing are separately taken into account: Finland receives a value of 4 (a part of income is disregarded, 2 and a part of assets are disregarded 2), Sweden receives a value of 2 (no income is disregarded, a value of 1, and all assets are taken into account, a value of 1), Germany receives a value of 6 (a part of income is disregarded on a regular basis, a value of 3, and a part of assets are disregarded on a regular basis, a value of 3), the Netherlands receives a value of 5 (a part of income can be disregarded, a value of 2, and a part of assets are disregarded on a regular basis, a value of 3), Ireland receives a value of 3 (all income is taken into account, a value of 1 and a small part of assets are disregarded, a value of 2) and the UK receives a value of 6 (a part of income is disregarded on a regular basis, a value of 3, and a part of assets are disregarded on a regular basis, a value of 3). With regard to the work-test, Finland receives a value of 2 (work-test concerns only young recipients), Sweden receives a value of 1 (work-test concerns in addition to young people, people with special needs), Germany receives a value of 1 (work-test concerns nearly all recipients), the Netherlands receives a value of 1 (work-test concerns nearly all recipients), Ireland receives a value of 3 (work-test does not concern people receiving general social assistance) and the UK receives a value of 3 (work-test does not concern people receiving general social assistance).