

# 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)**

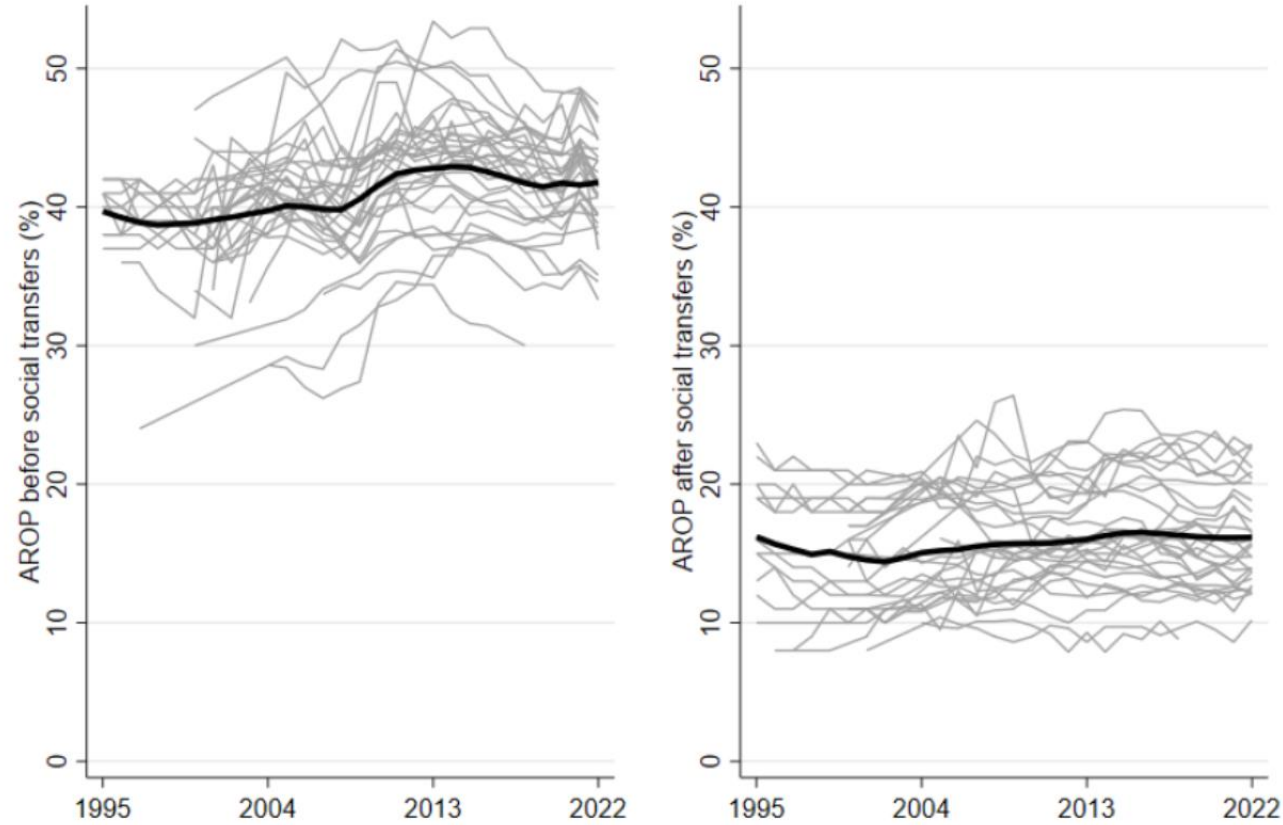


# Promises, promises



# 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).

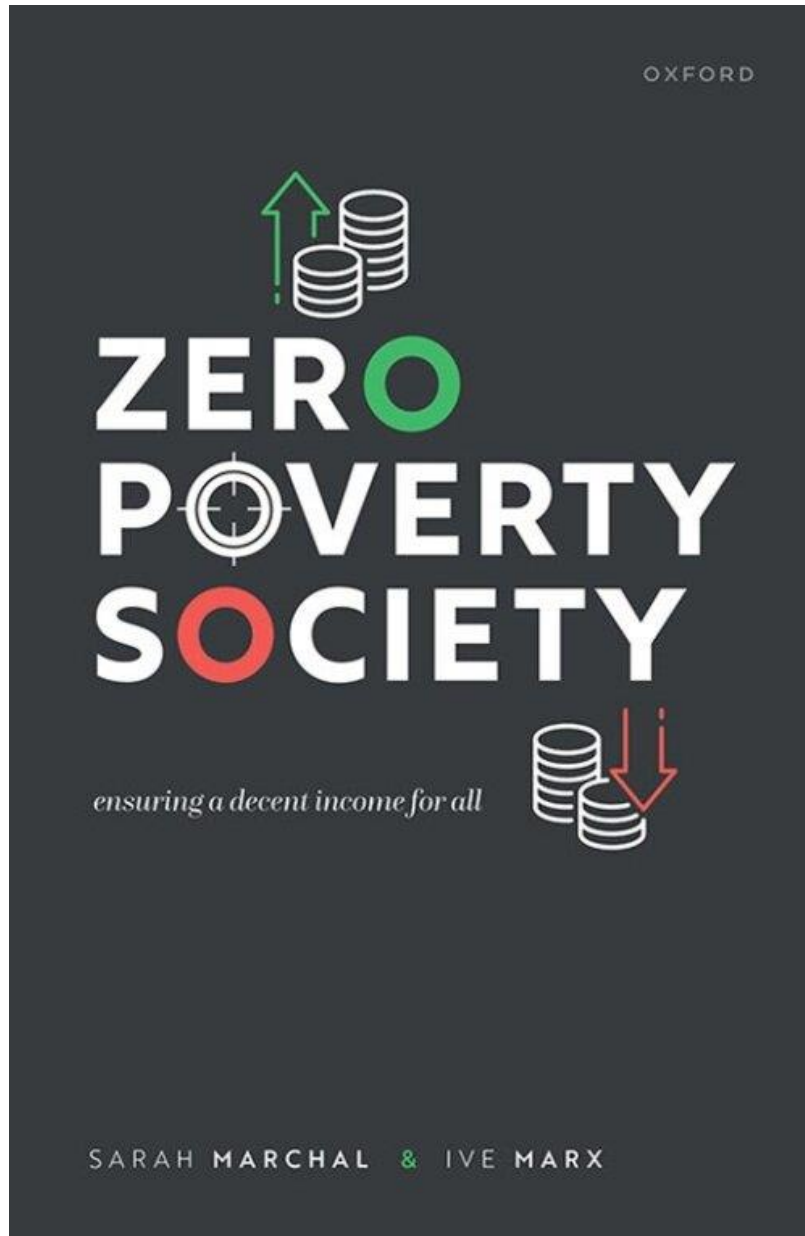
## What this talk is about

- **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**

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# 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

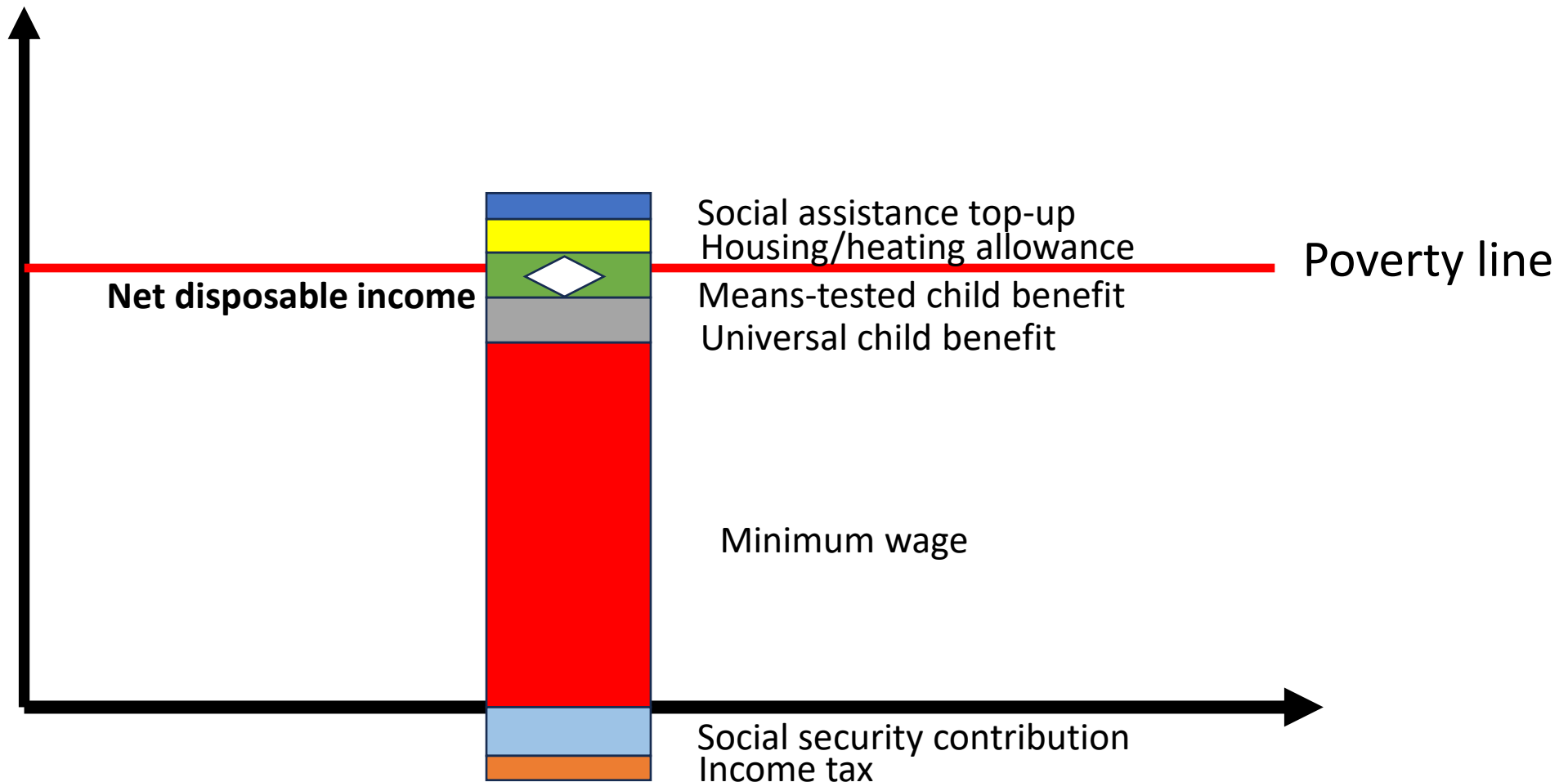
- This method builds on comparing households in exactly the same hypothetical situation across countries
- The method allow to assess the generosity of actual policy rules, in combination (often complex interactions!), in a comparable fashion over time and across countries,
- It is a “pure” indicator 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

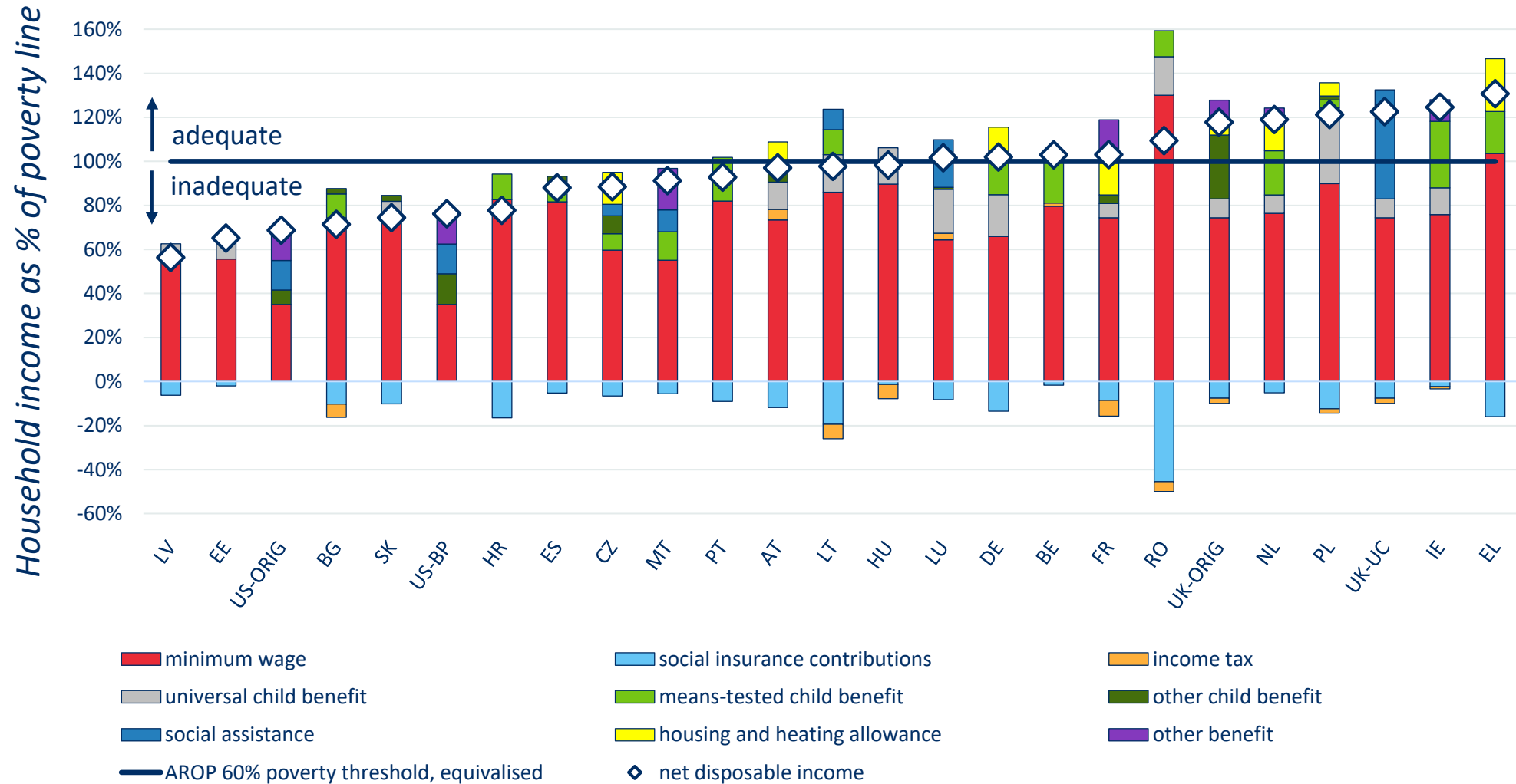
- Single adult (fully entitled citizen), two children, aged 7 & 14 attending school



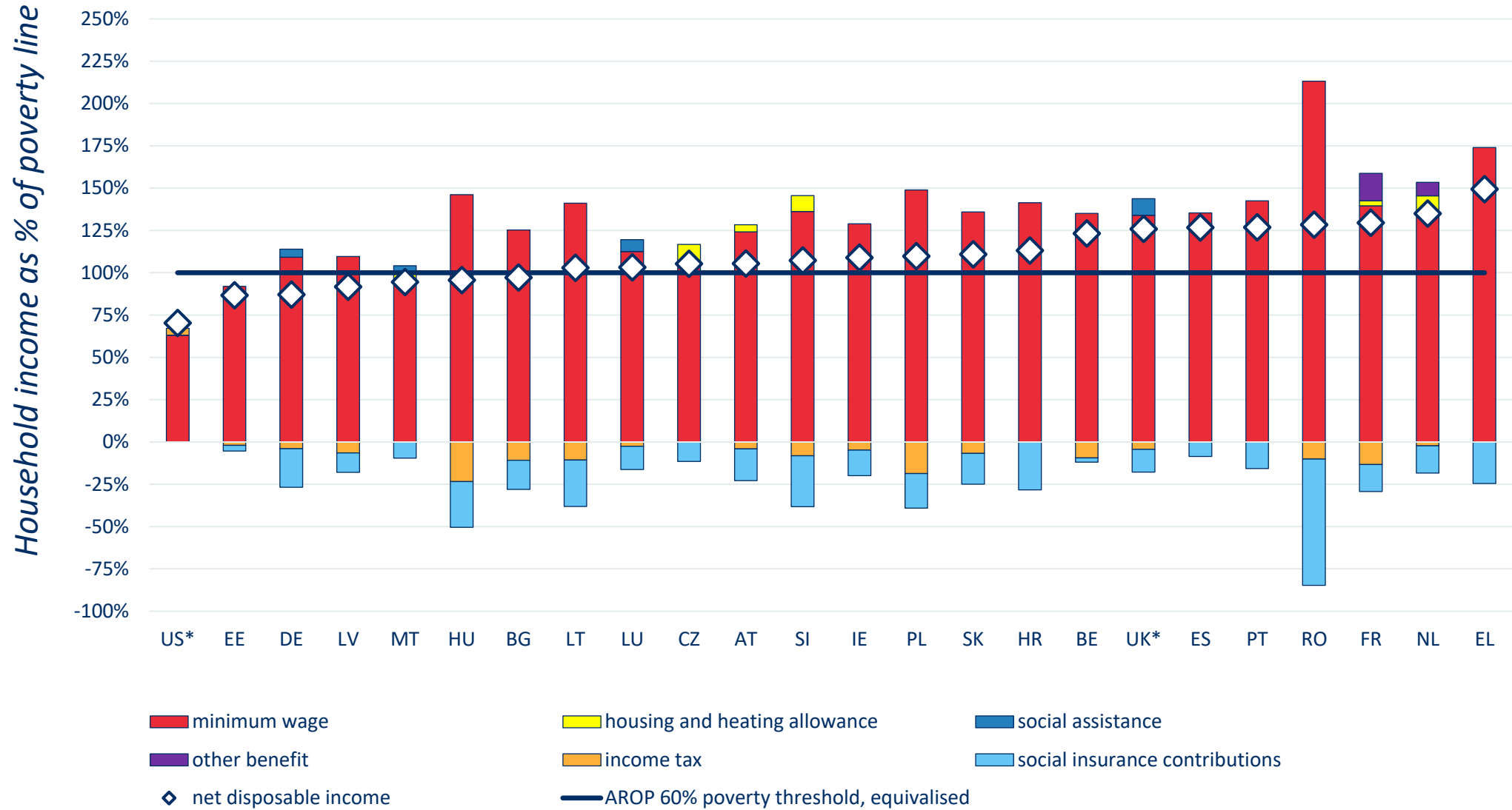
- Working full time for the minimum wage
- Median market rent for 3 person household
- Taking account of all personal taxes and non-discretionary benefits



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



# Single person, working for the minimum wage



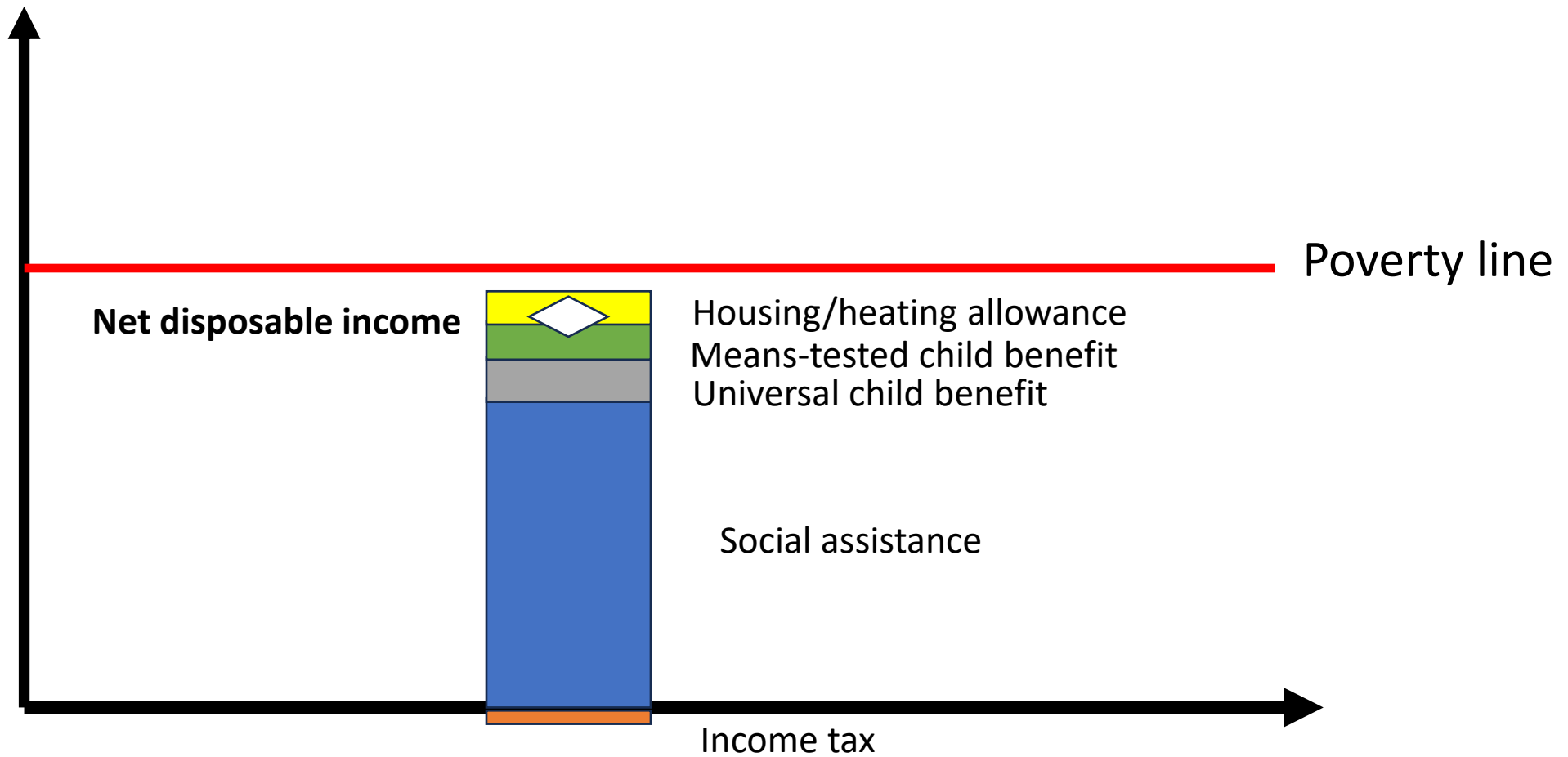
## Model family approach example 2

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



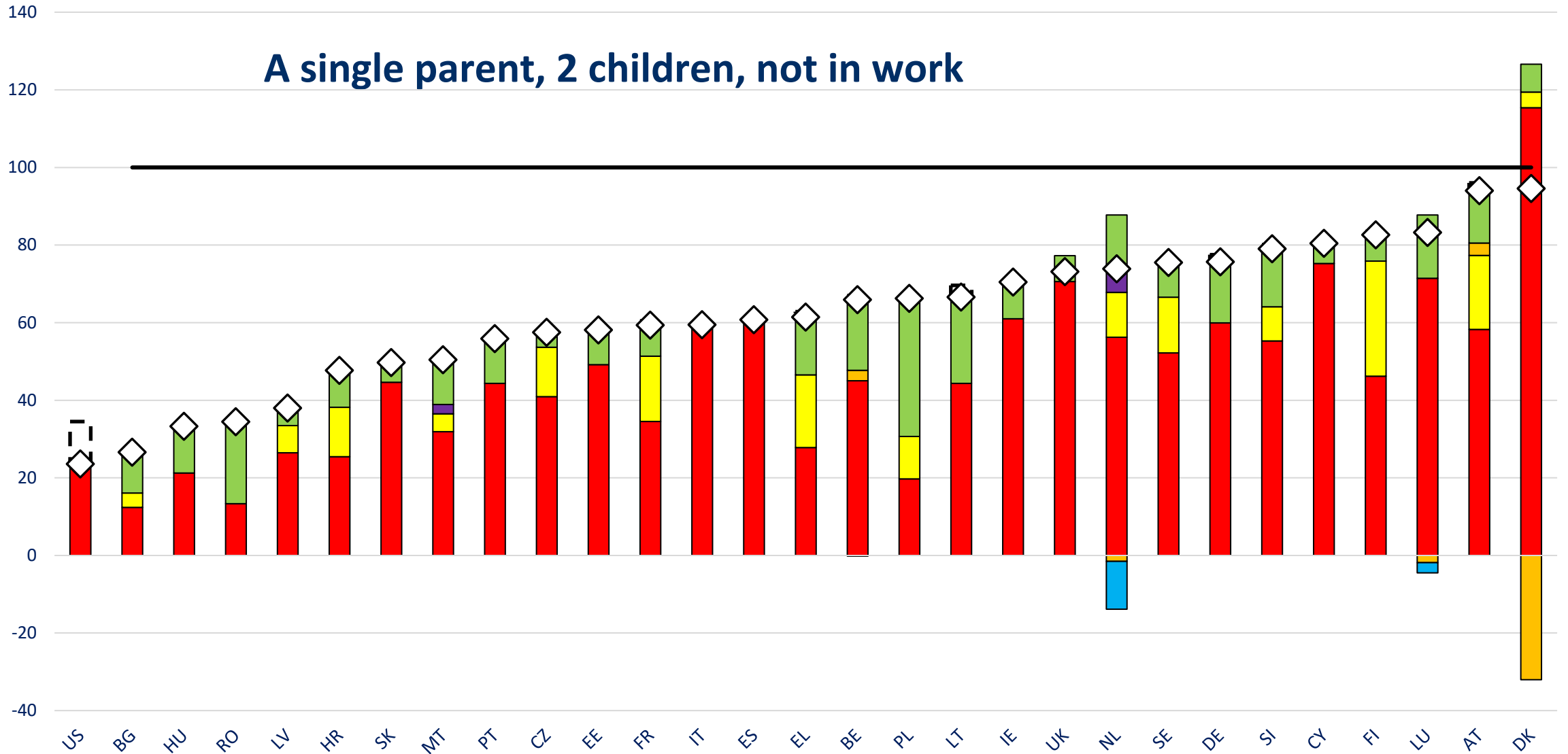
- Not working (but looking) and not (or no longer) entitled to social insurance benefits
- Median market rent for 3 person household
- Taking account of all personal taxes and non-discretionary benefits





# A single parent, 2 children, not in work

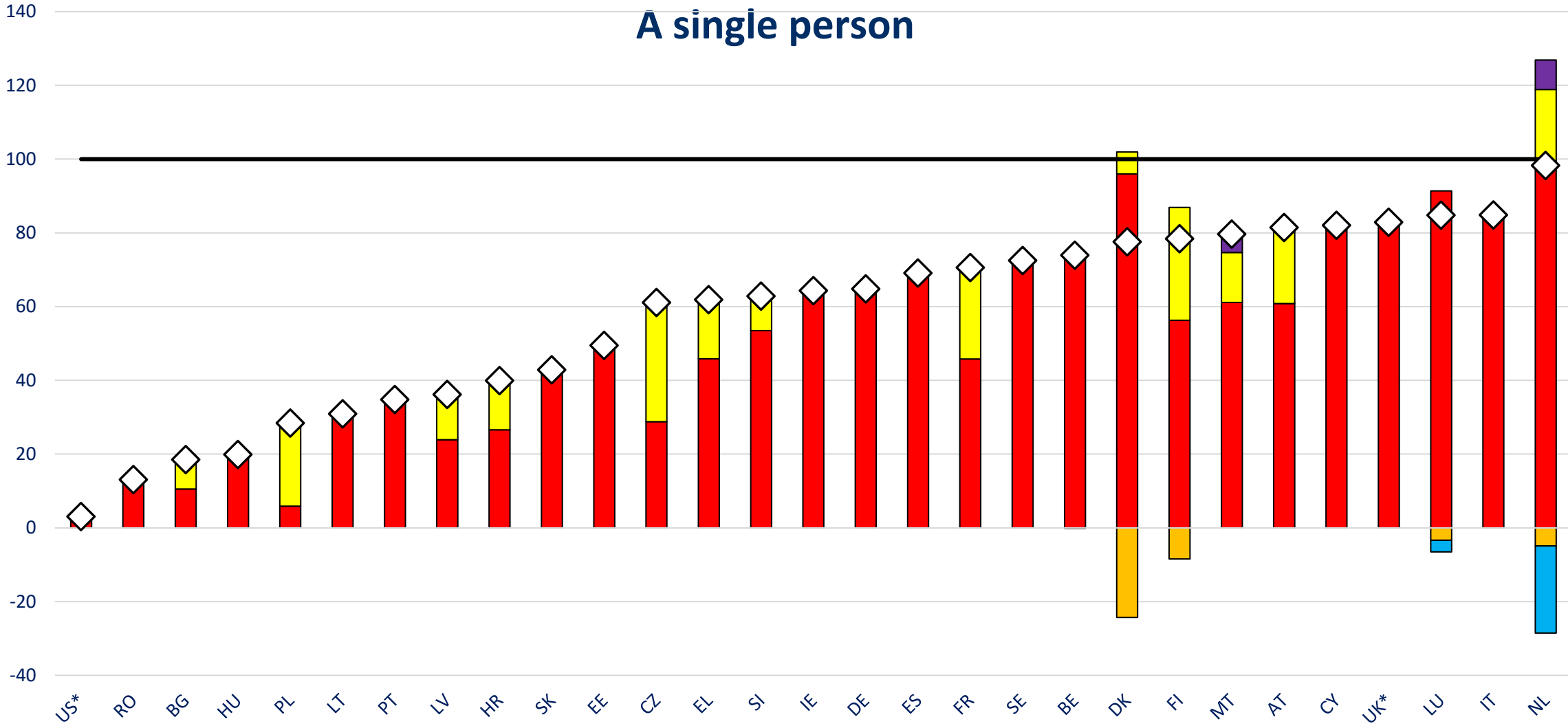
Household income as % of poverty line



- social assistance - total
- housing and heating allowance
- income tax
- social insurance contributions
- other benefit
- child benefit - total
- covid related benefit
- ◇ net disposable income
- poverty line

# A single person

Household income as % of poverty line

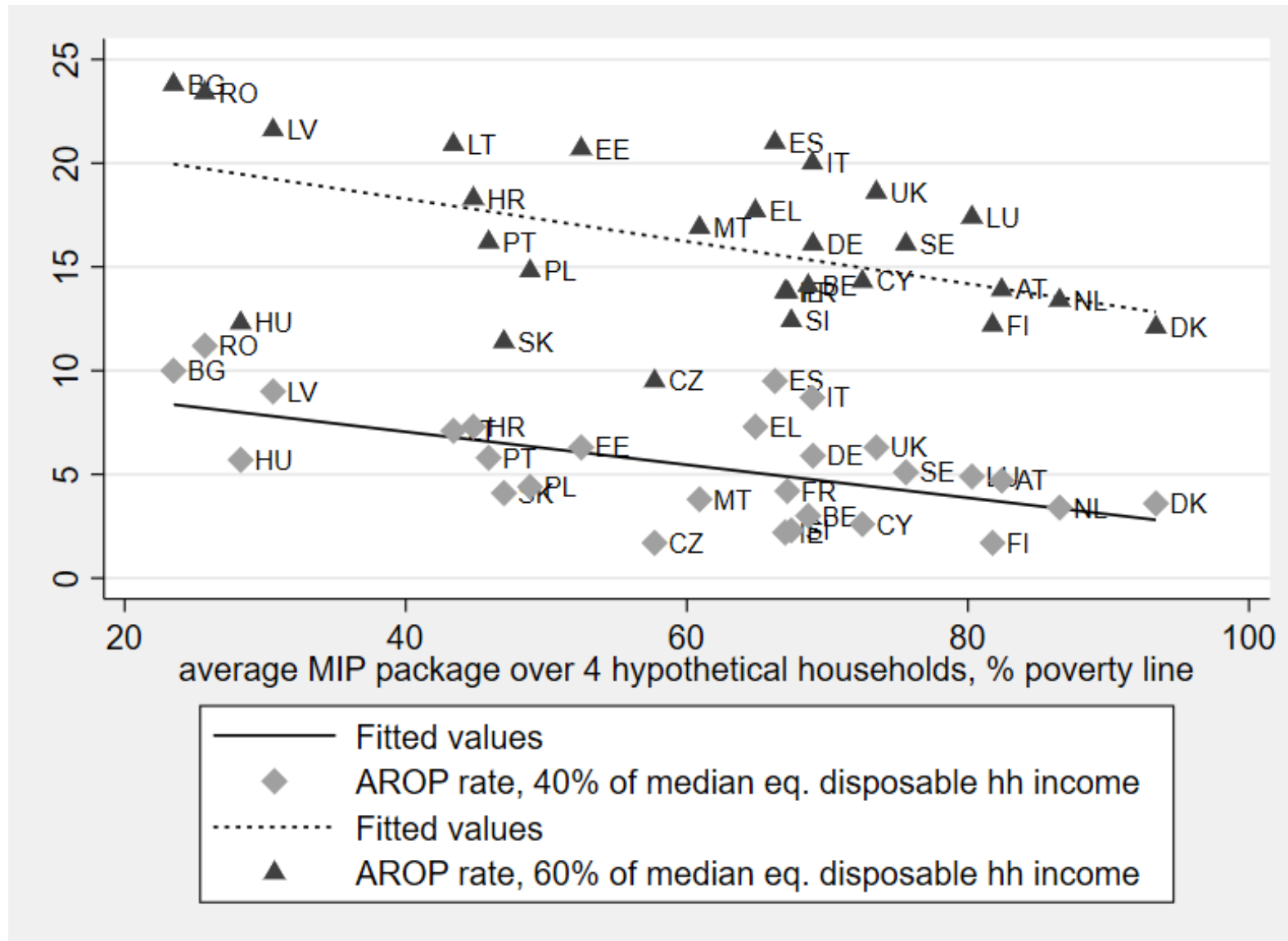


- social assistance - total
- housing and heating allowance
- income tax
- social insurance contributions
- other benefit
- net disposable income
- poverty line

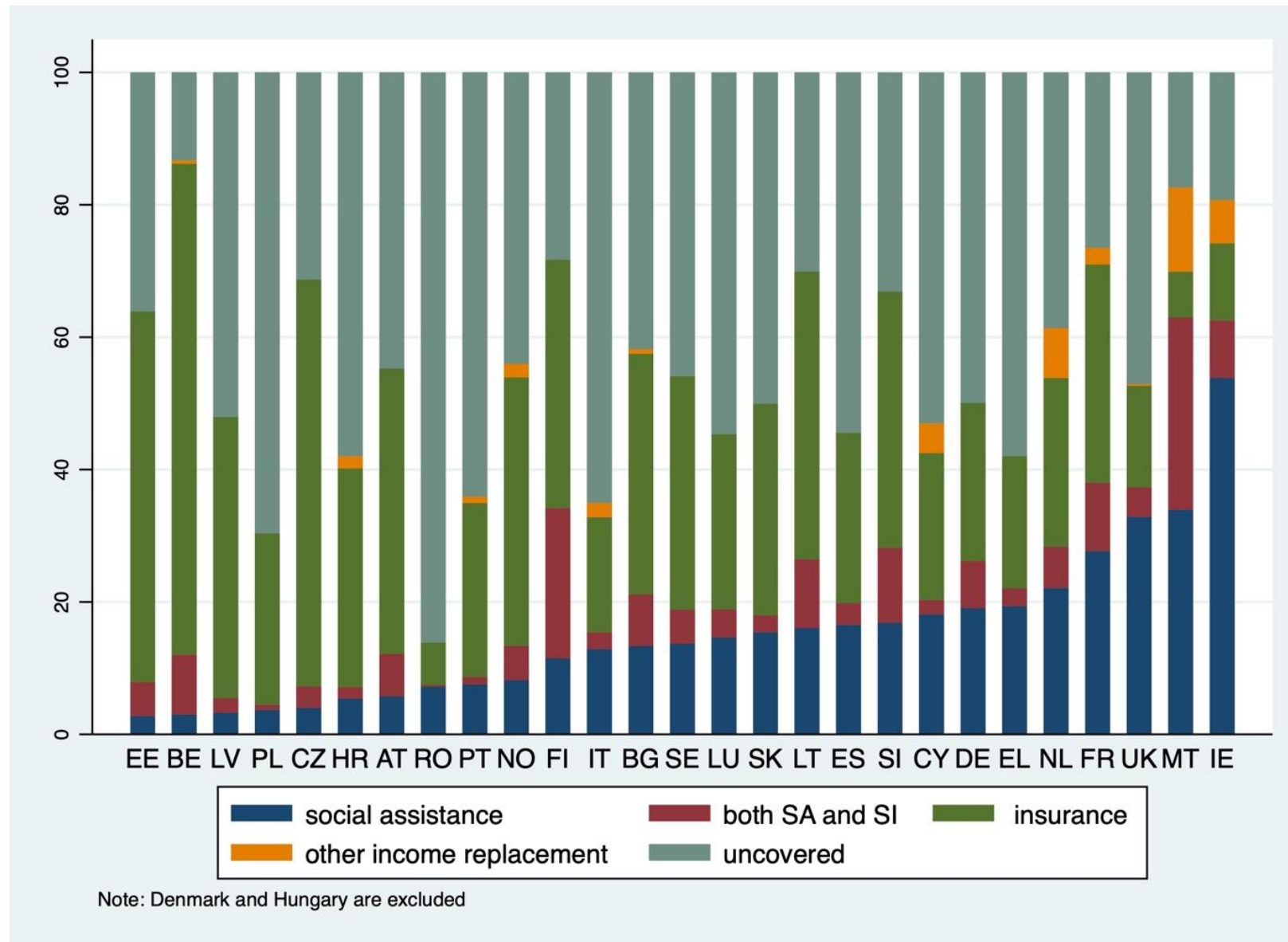
## Limitations of this approach

- **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?

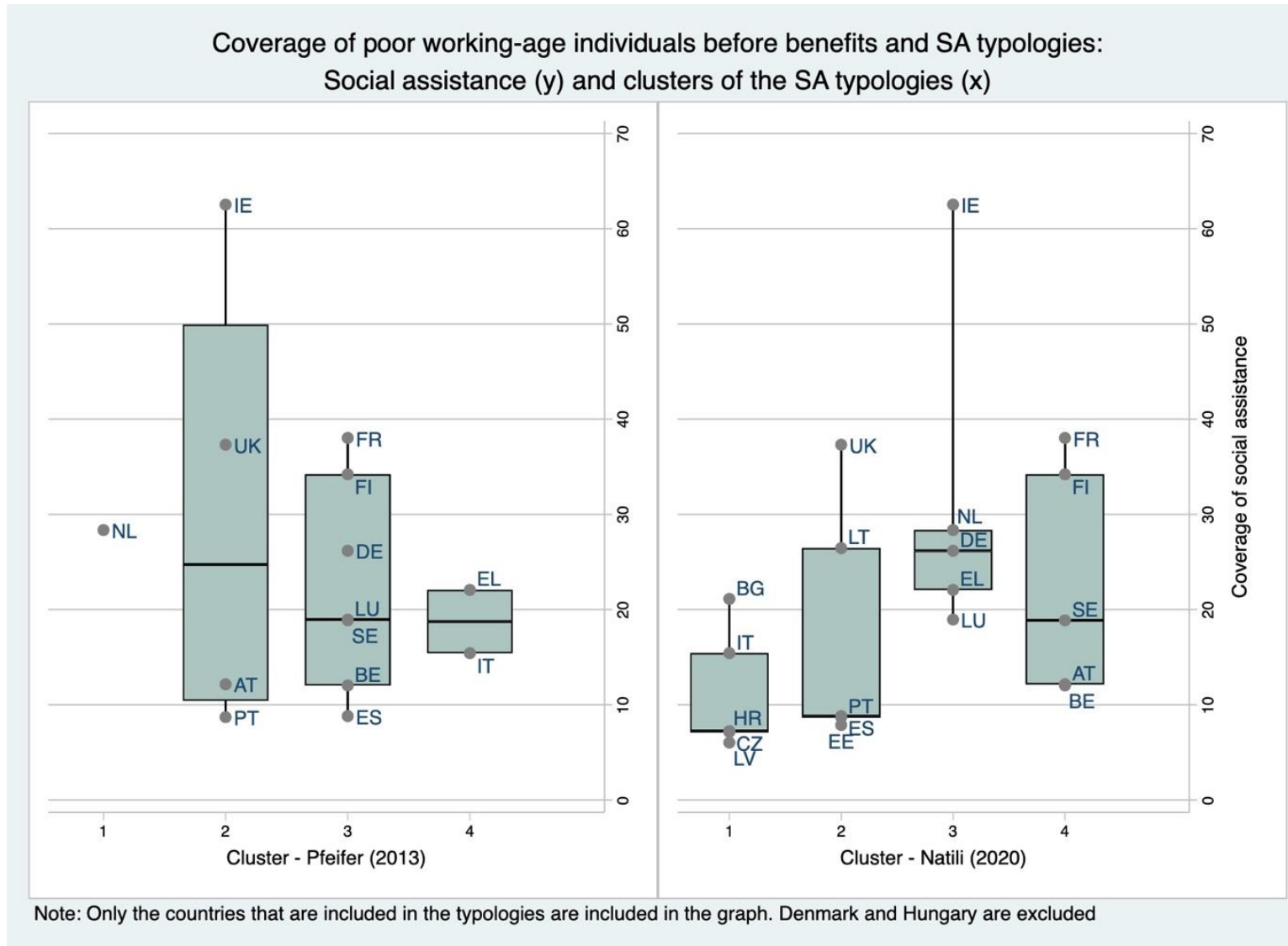


# Large swathes of the (pre-transfer) poor do not appear to be covered by any income replacement scheme



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



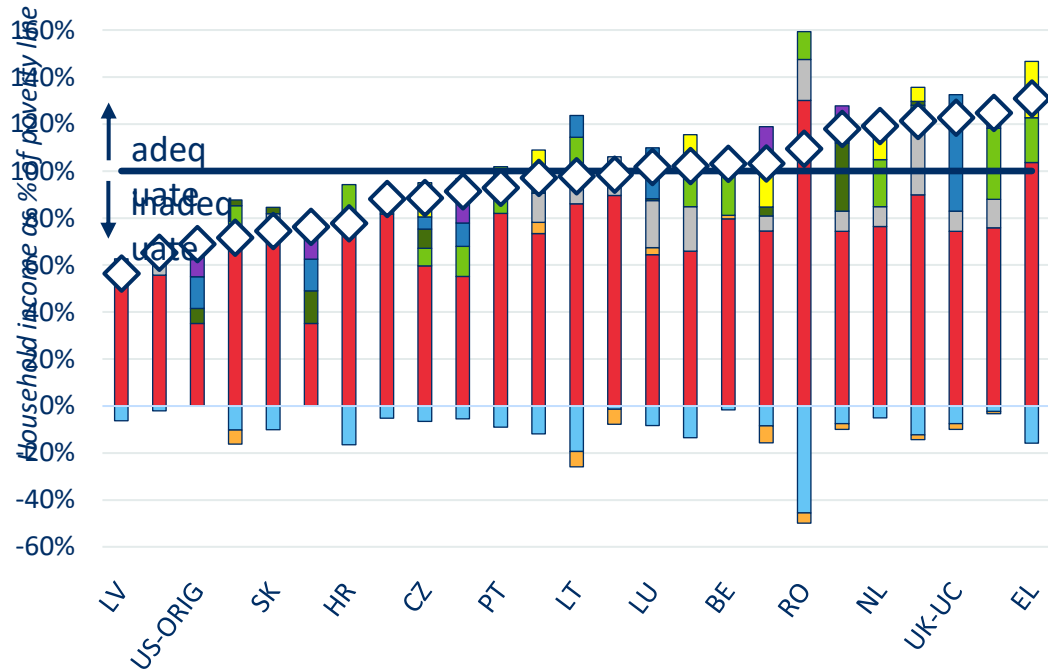
Source: Nardo, Marchal & Marx 2024

# Limits to better minimum protection

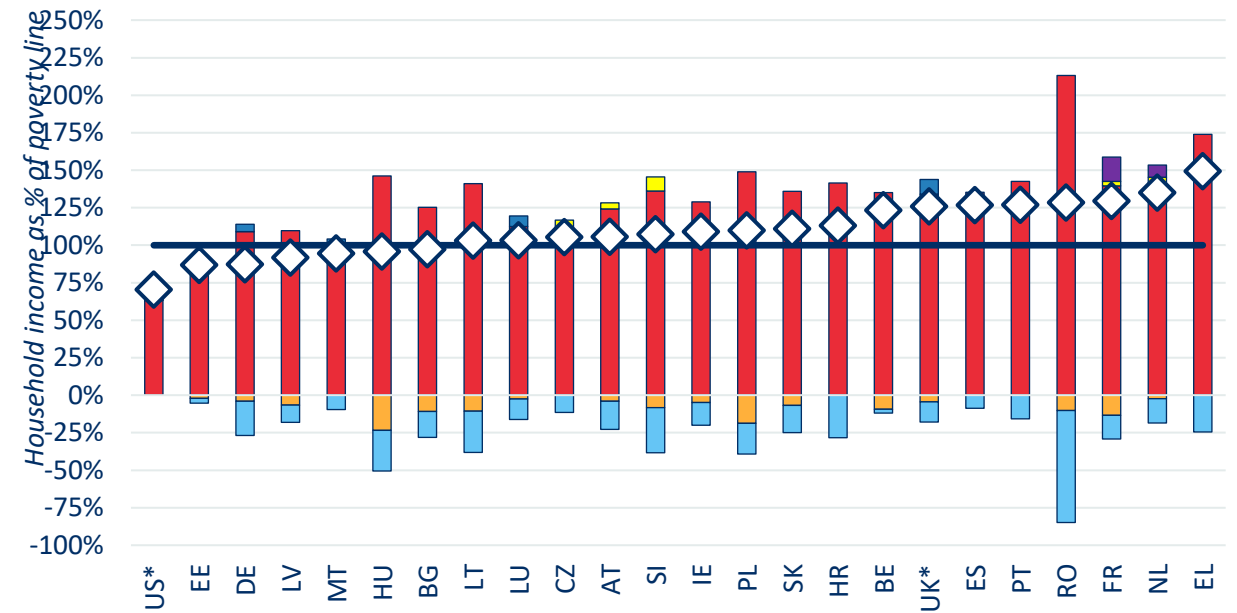


# Remember: in a good number of countries the net income of a full-time MW worker is above the poverty line

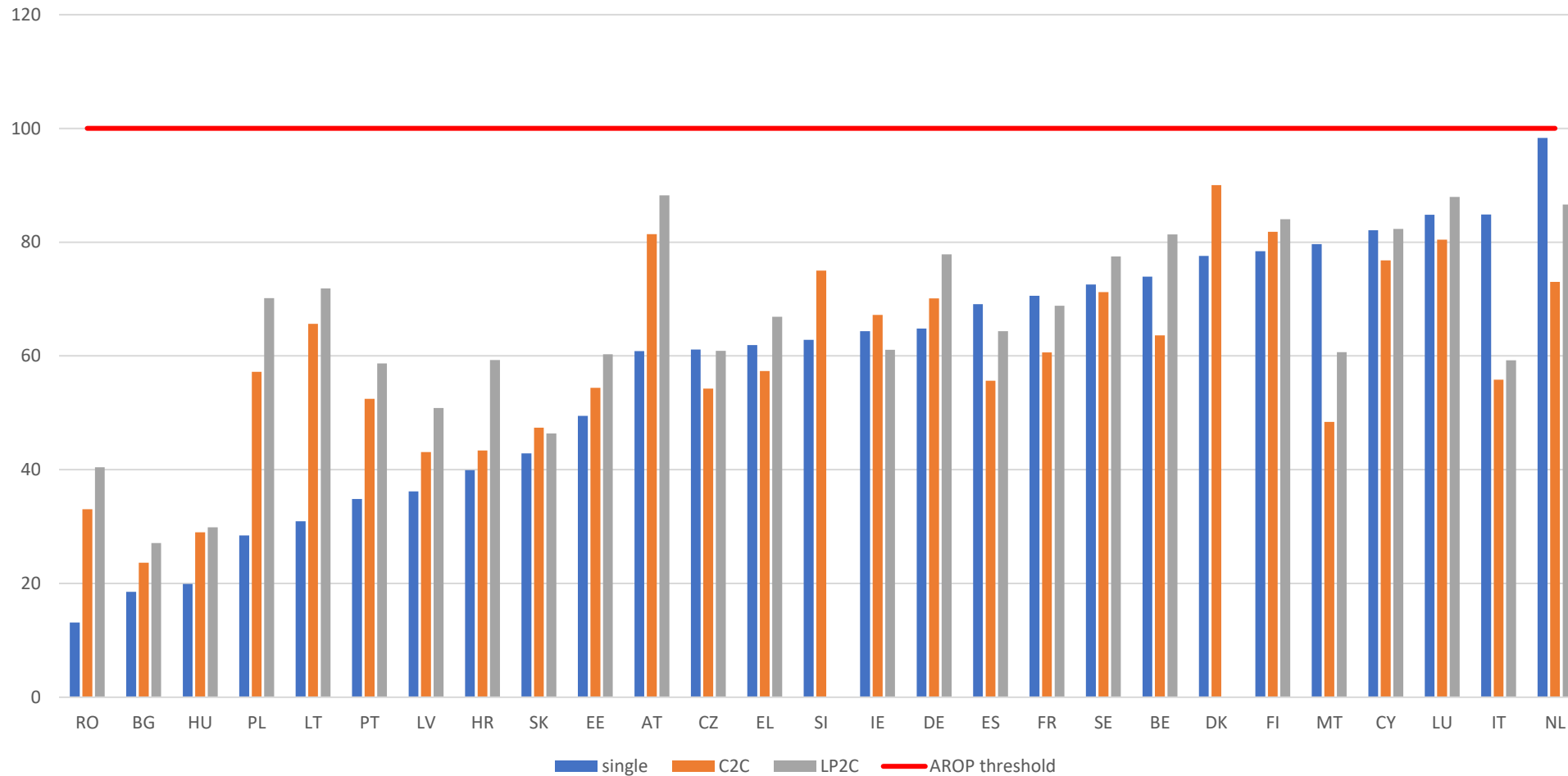
Single parent, working for the minimum wage



Single person, working for the minimum wage



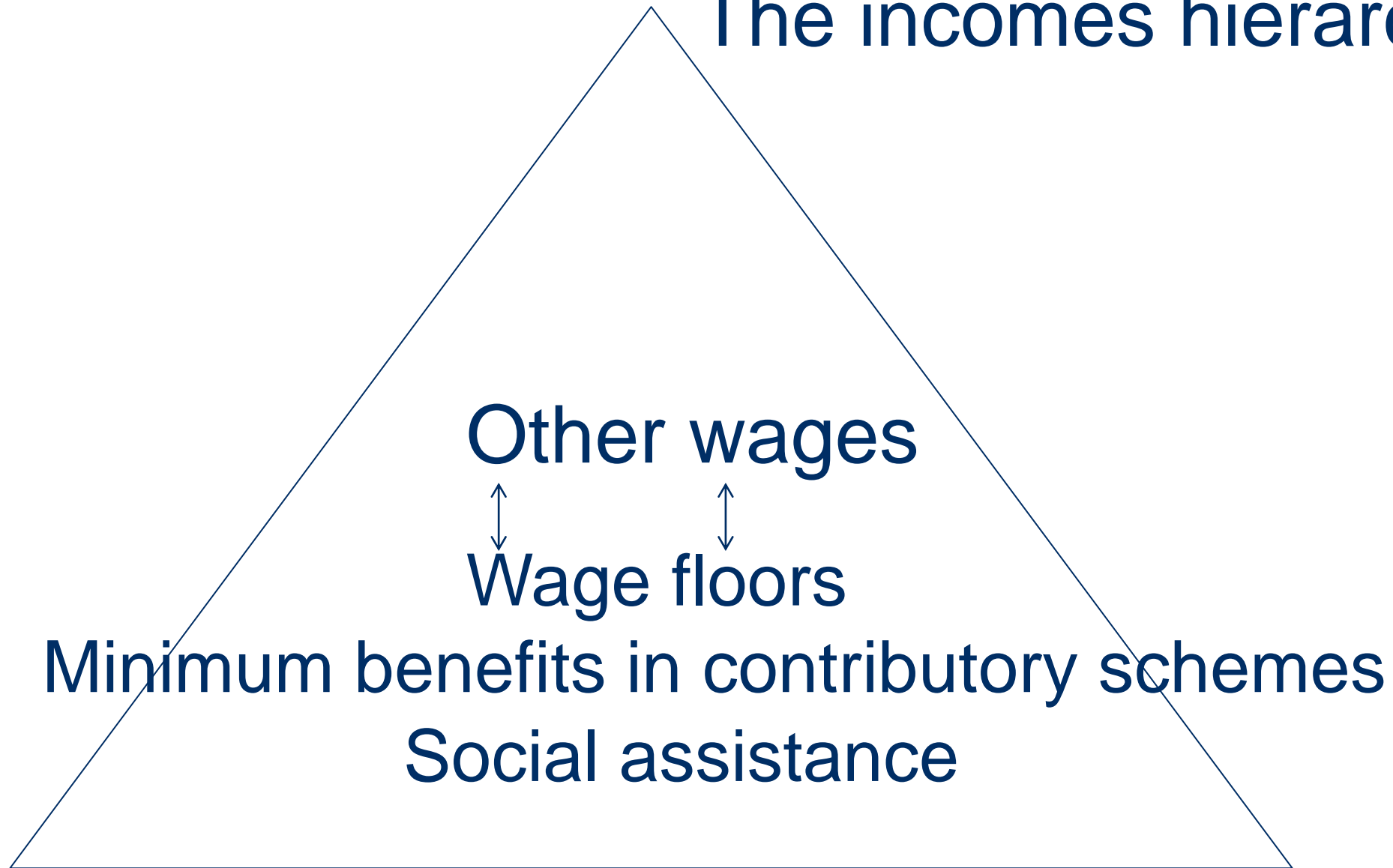
# ...but minimum income protection for those out of work is way below the poverty line



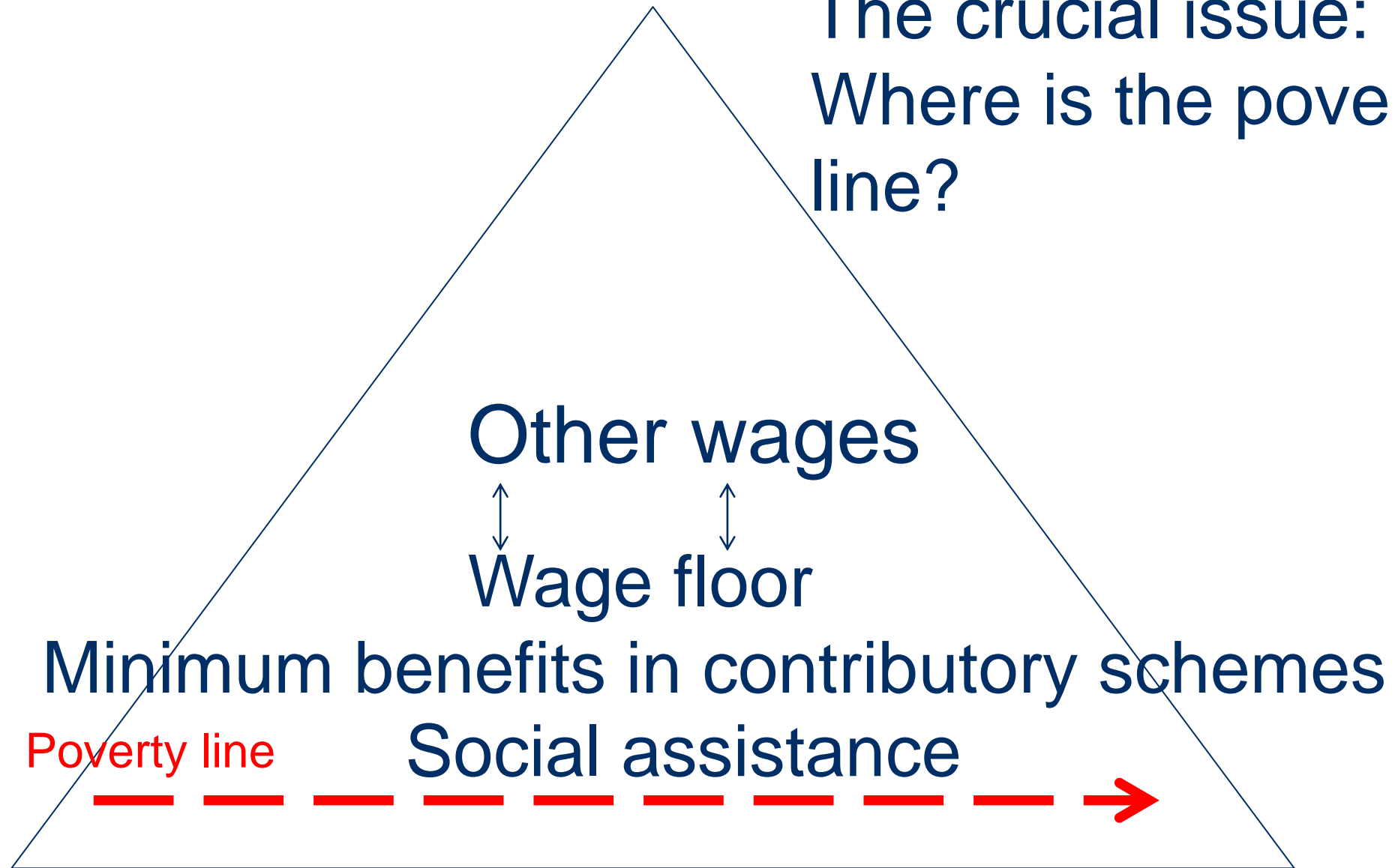
## Why are safety nets not more adequate for those not in work?

- **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**

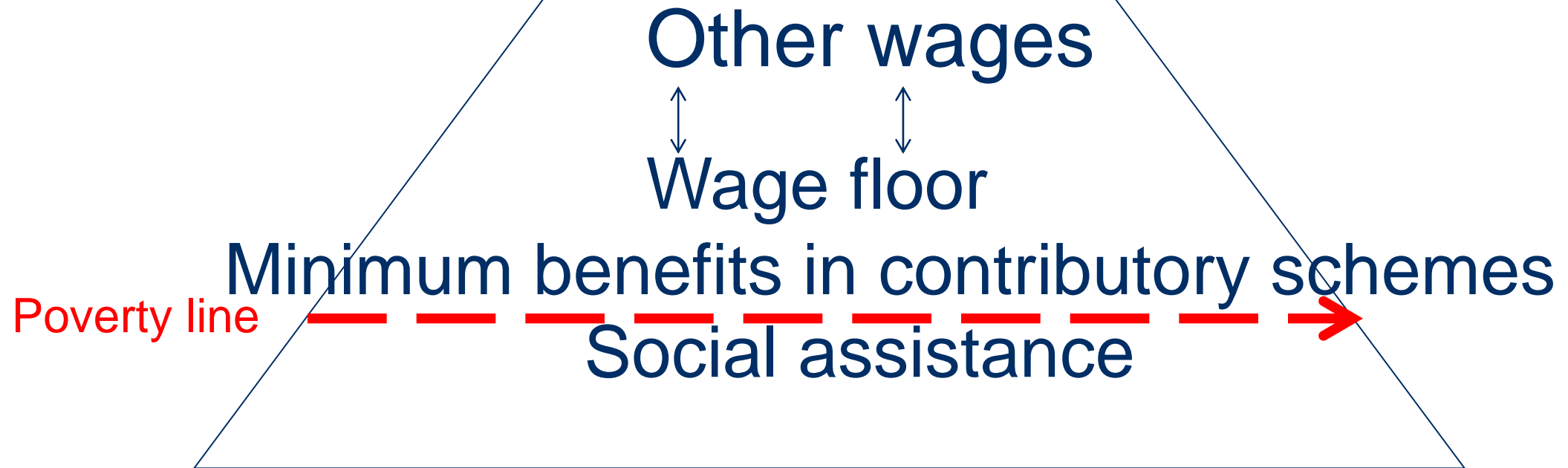
# The incomes hierarchy



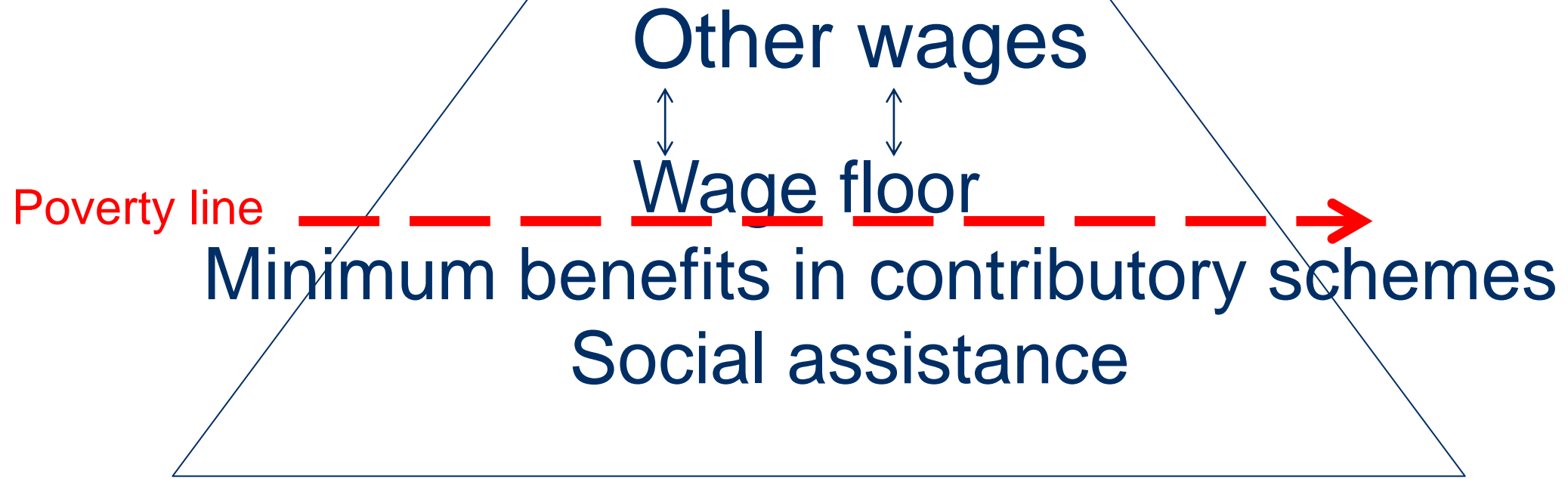
The crucial issue:  
Where is the poverty  
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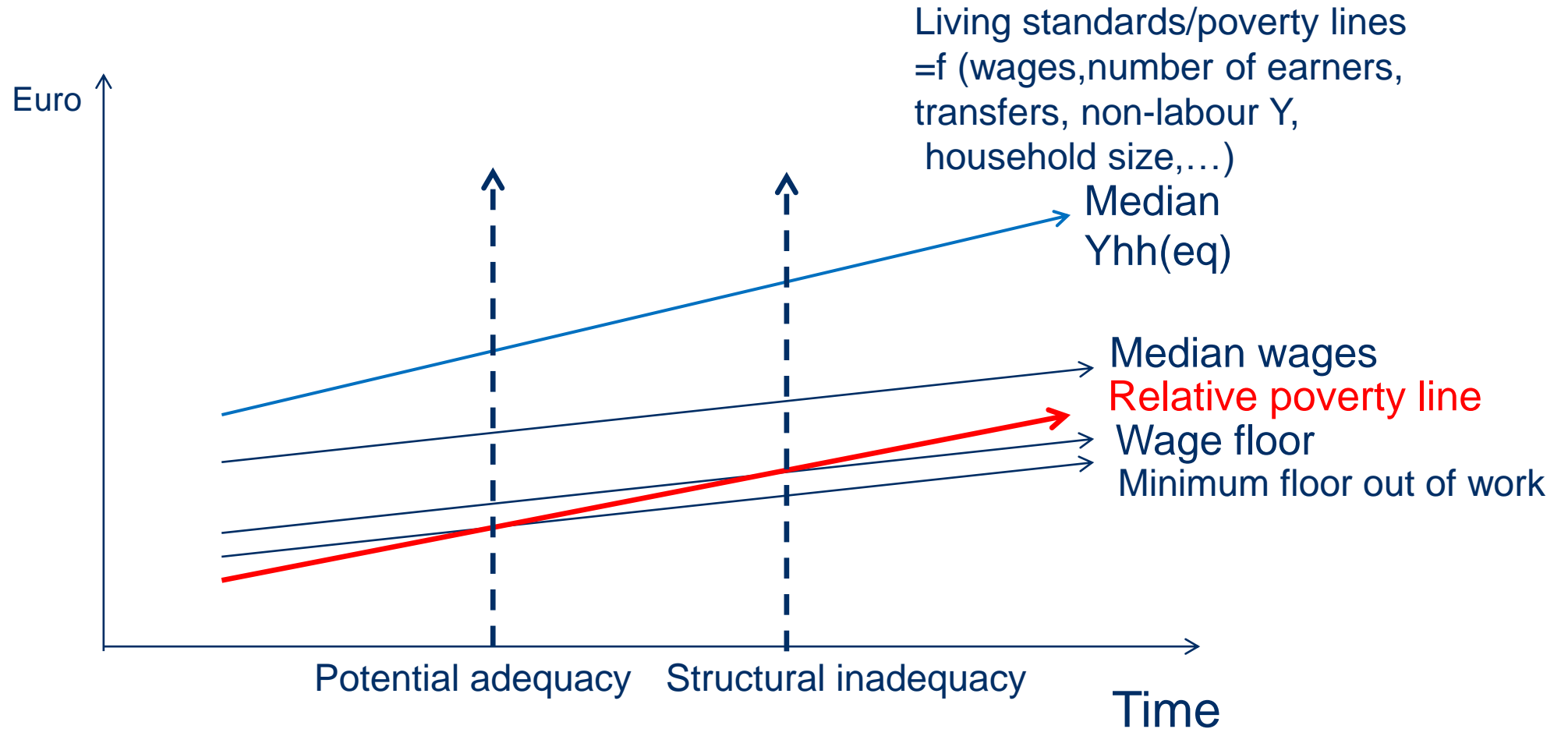
The crucial issue:  
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# Plus: minimum income adequacy inherently difficult to maintain when living standards outpace wage growth...

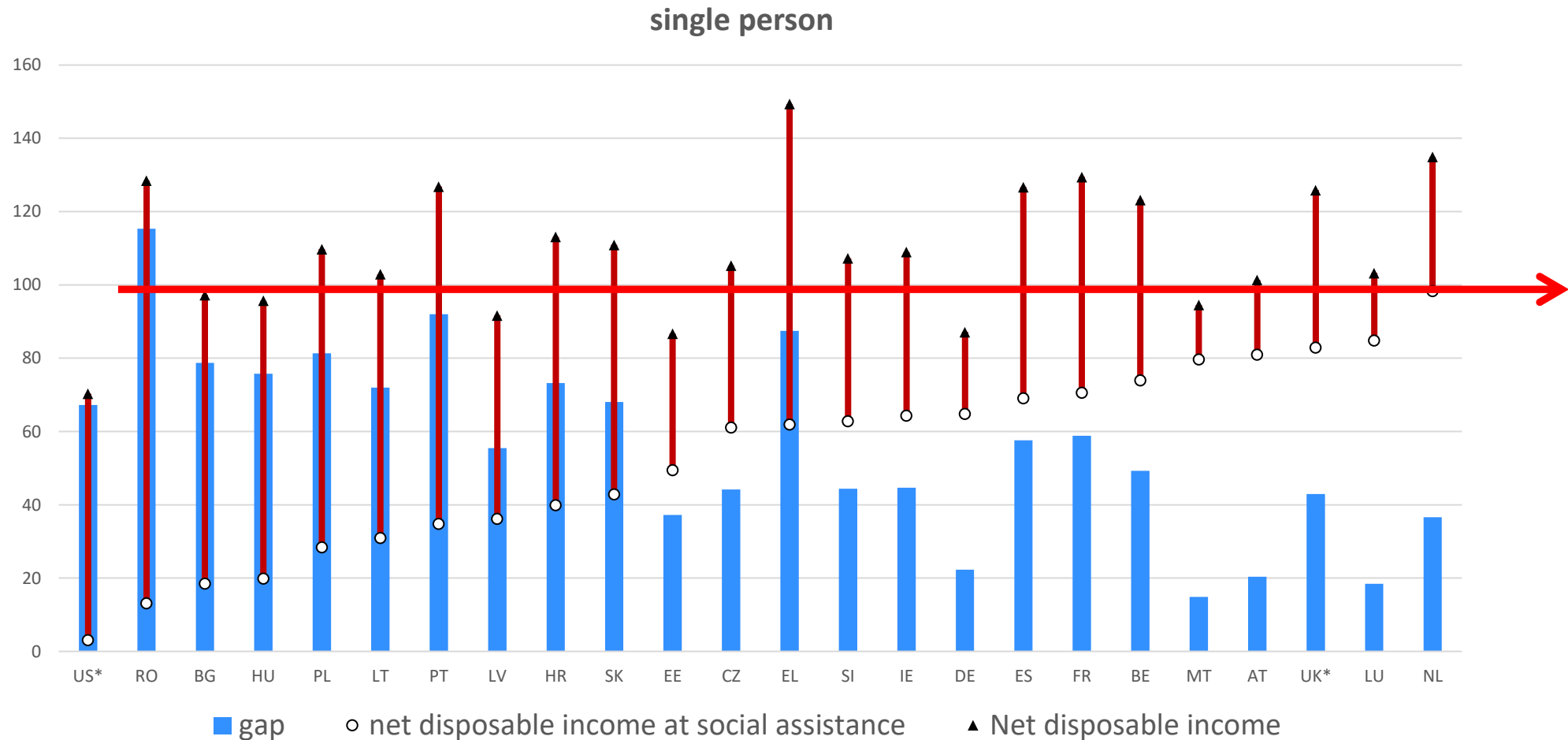




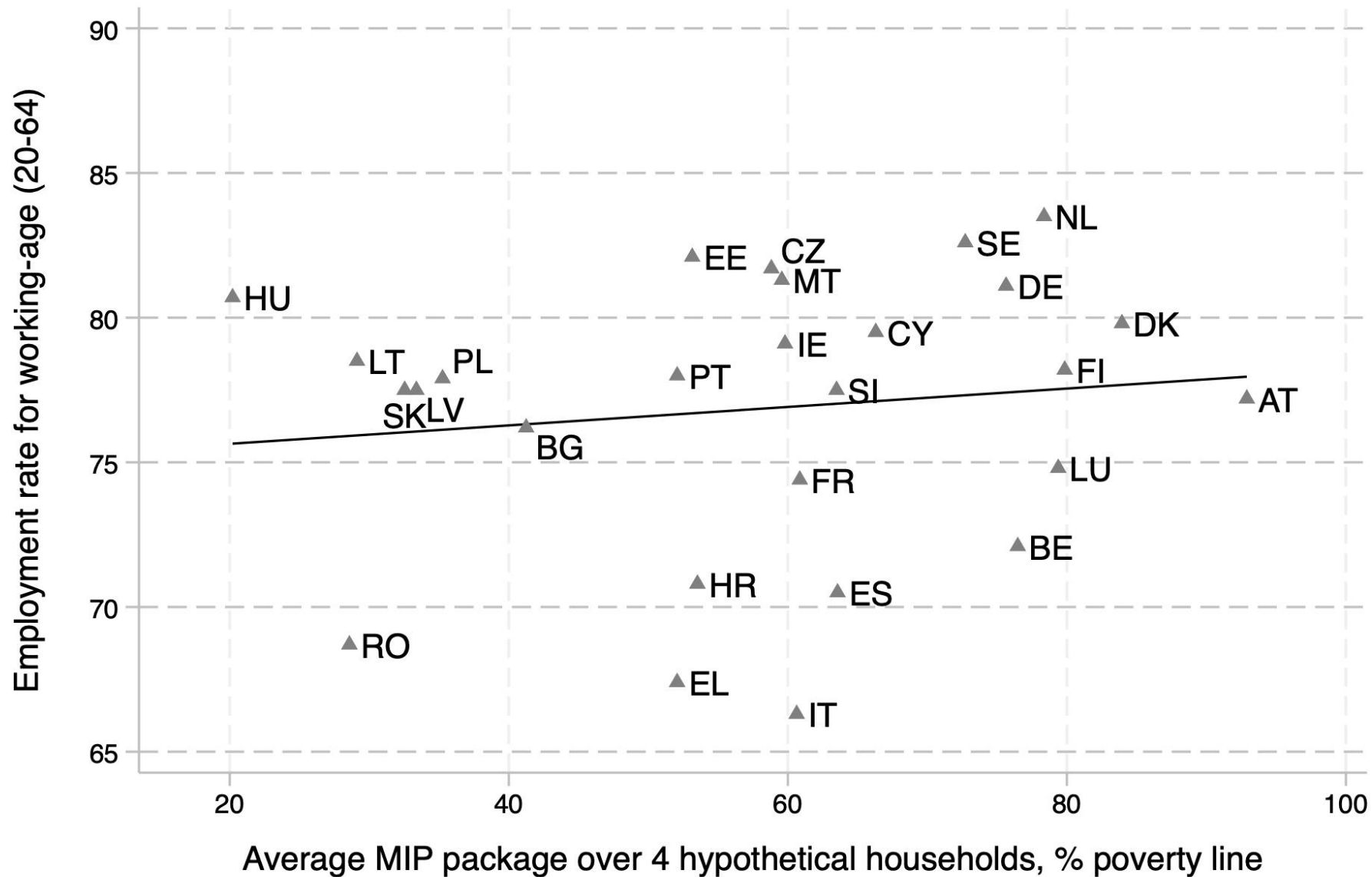




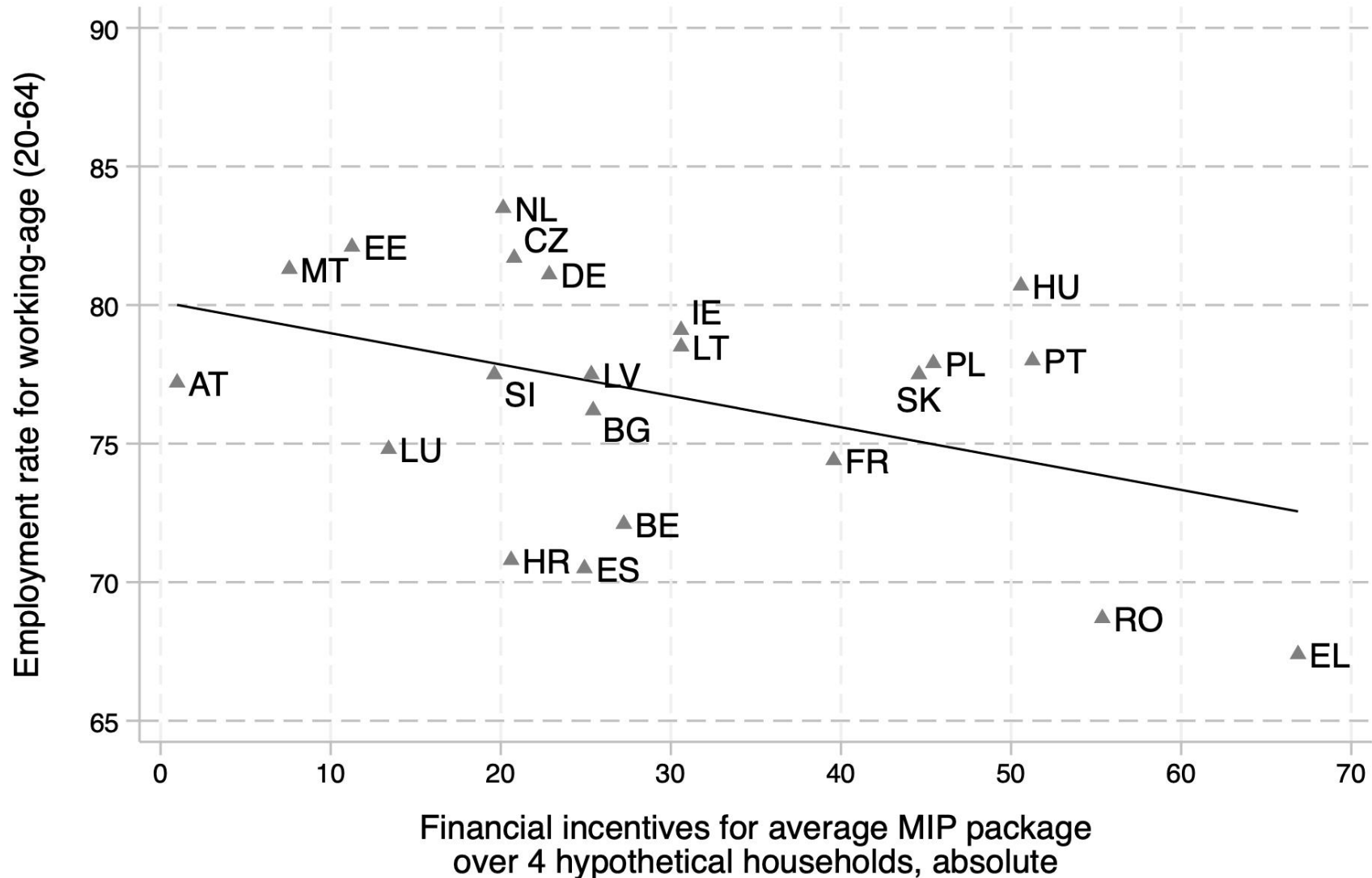
# Lifting out of work benefits to adequacy levels is not easy if we care about work incentives



## 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>

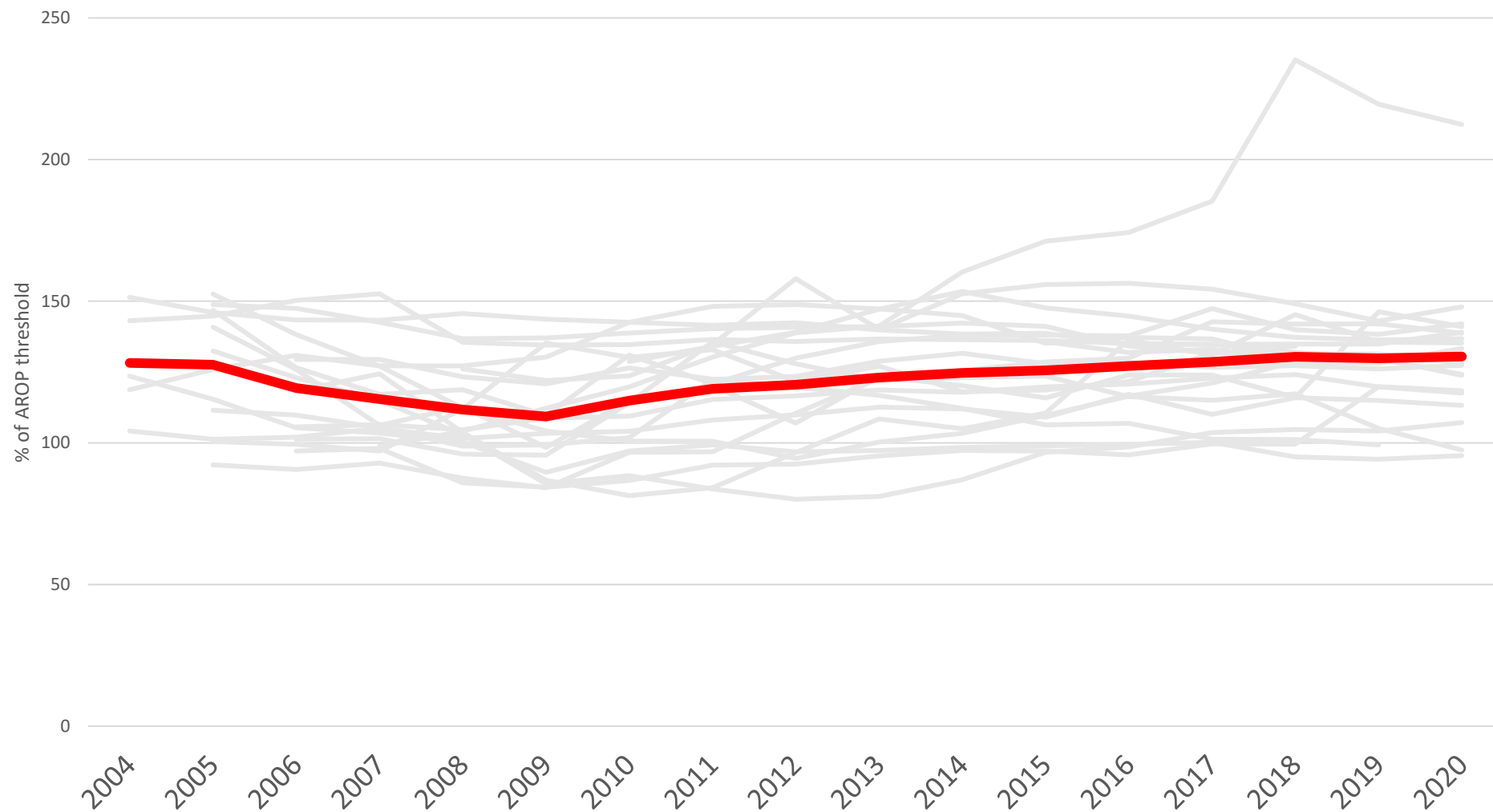
## Contact information

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

# Extra slides

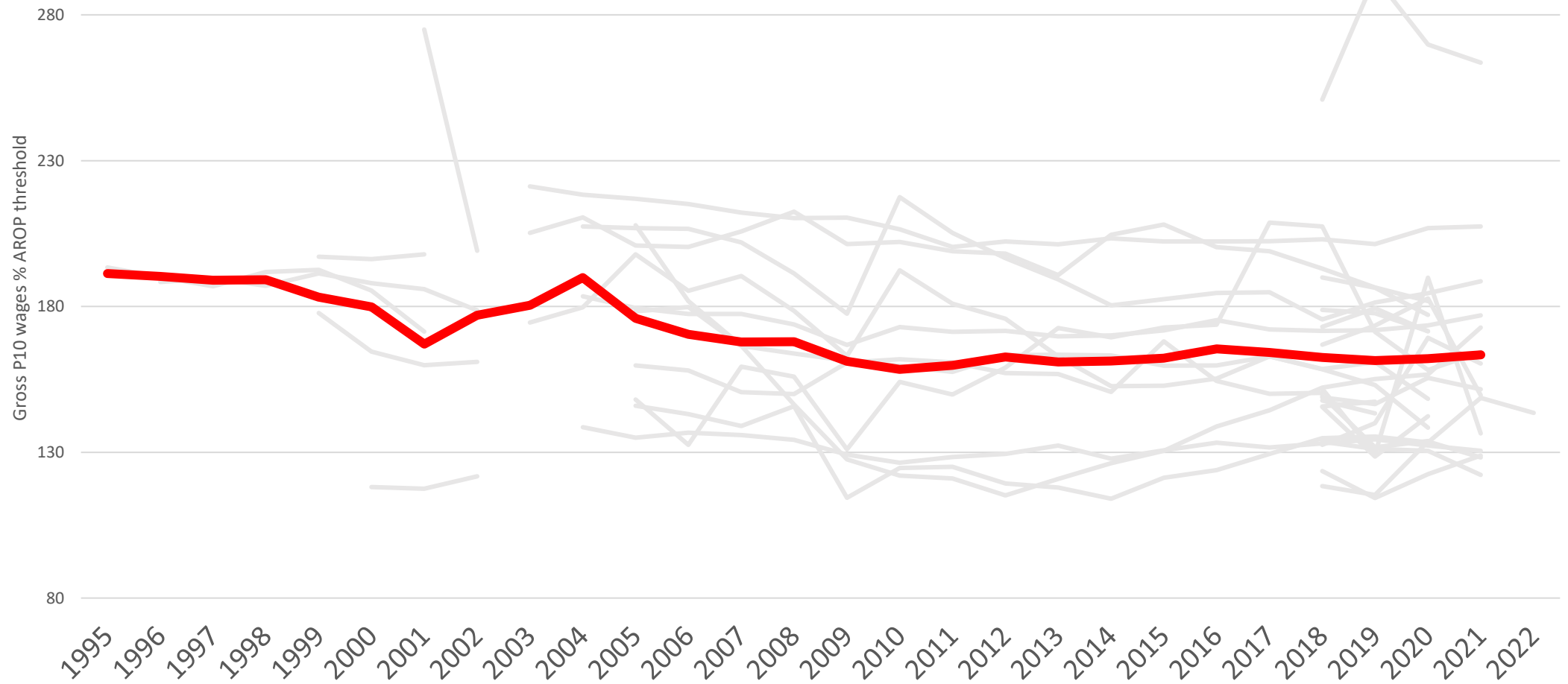


# Statutory minimum wages relative to the poverty line in EU countries 2004-2020



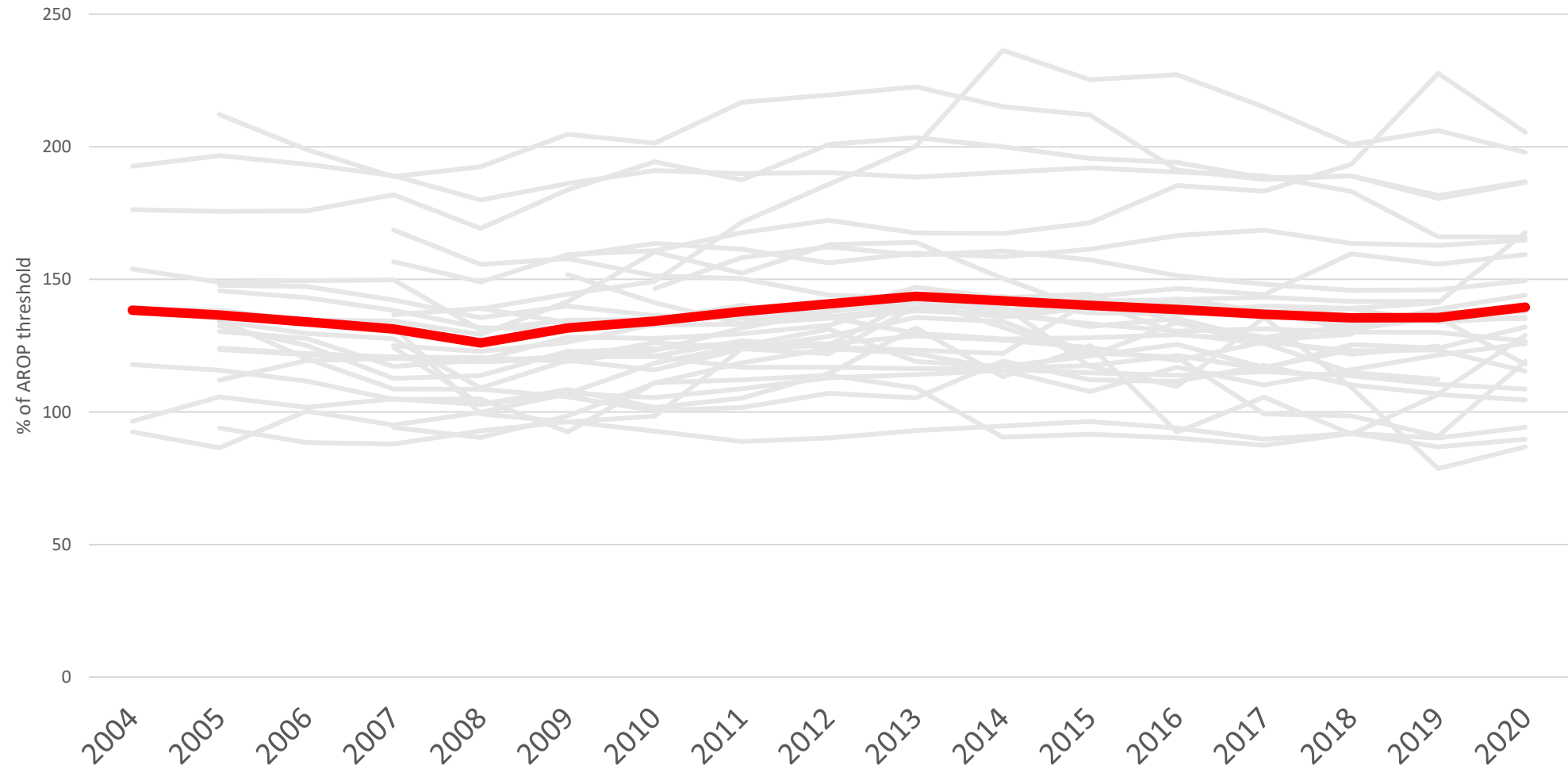
Sources: EU-SILC, WSI Minimum Wages Database.

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



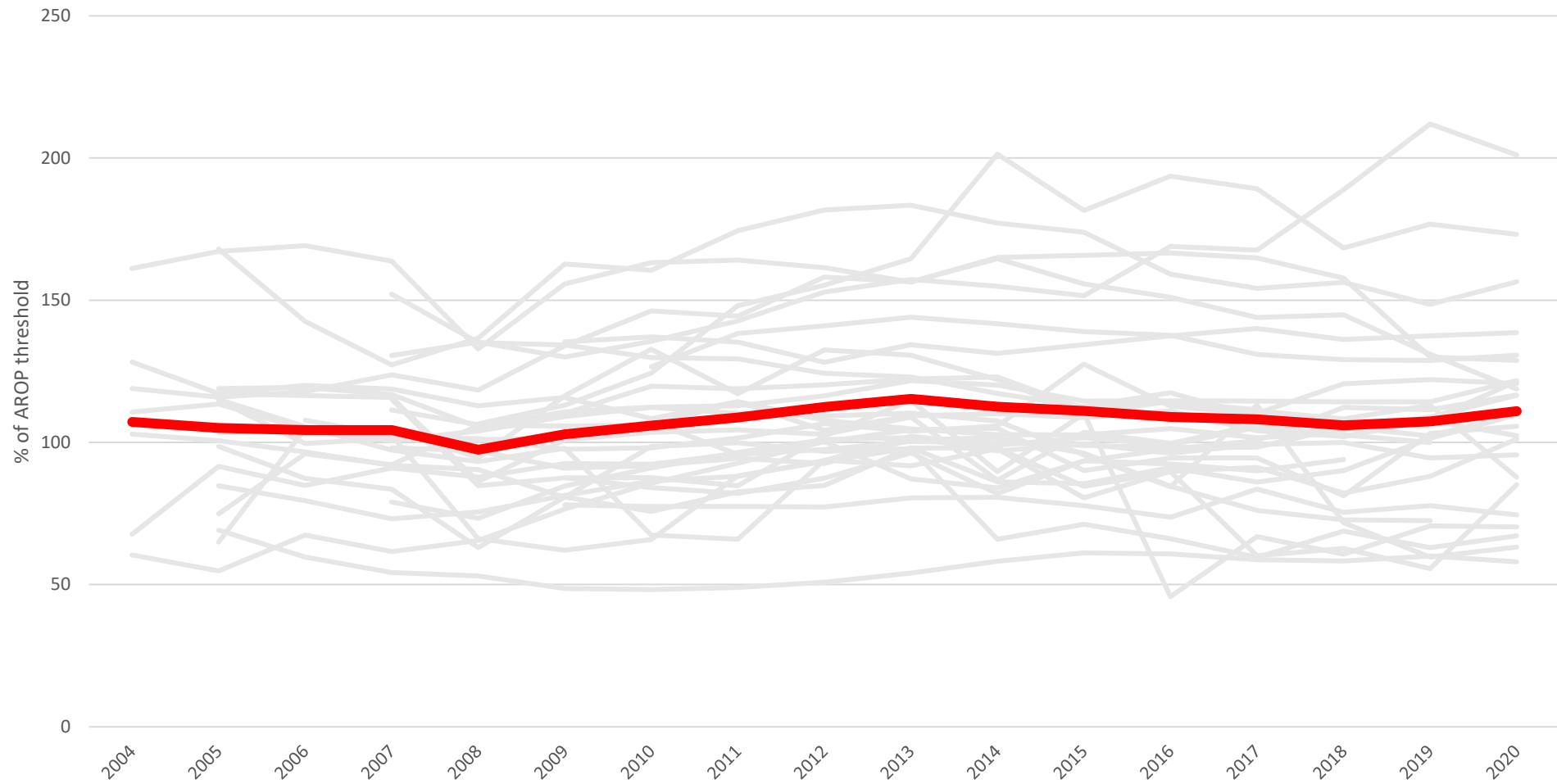
Source OECD Earnings Distribution Database.

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



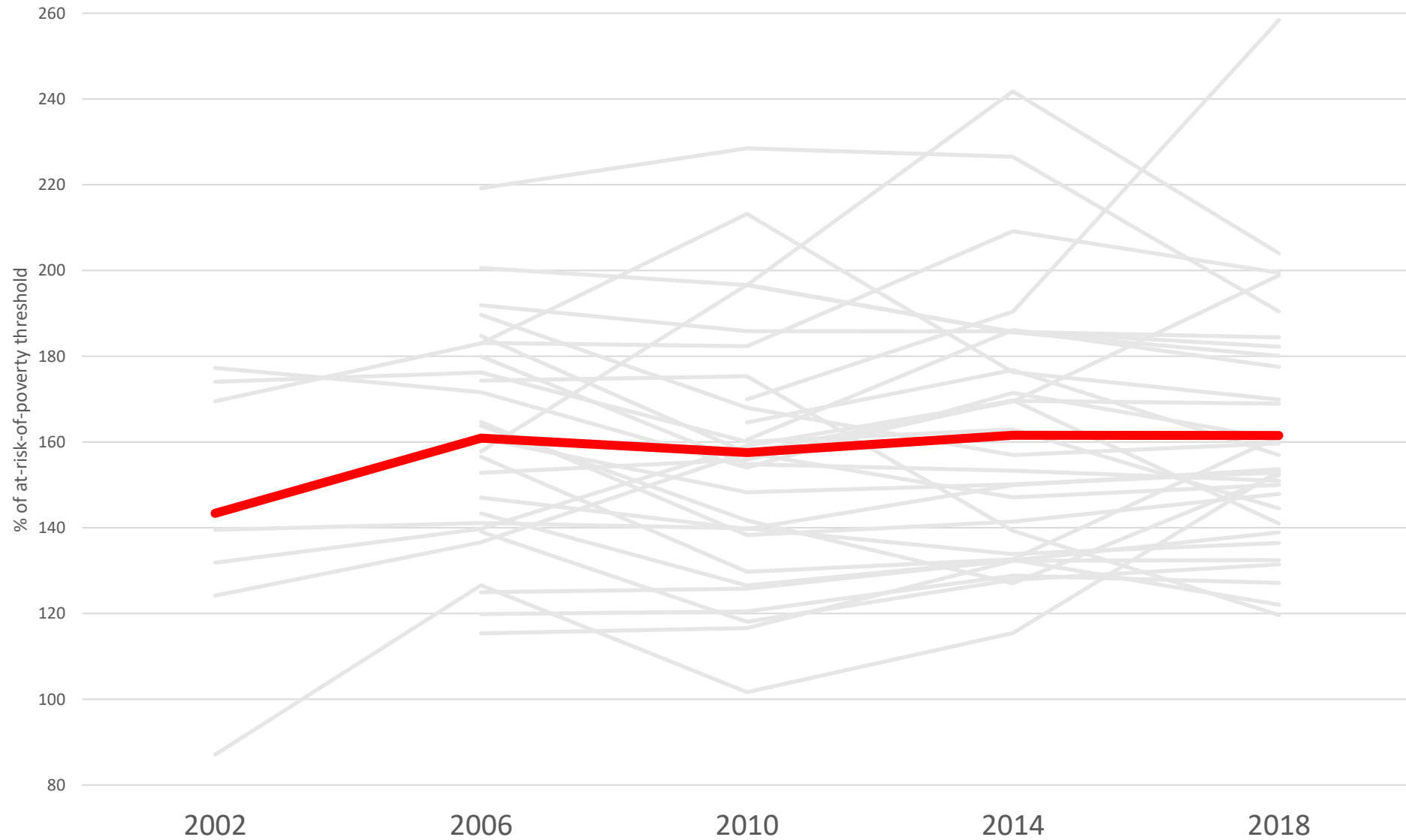
Sources: EU-SILC

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



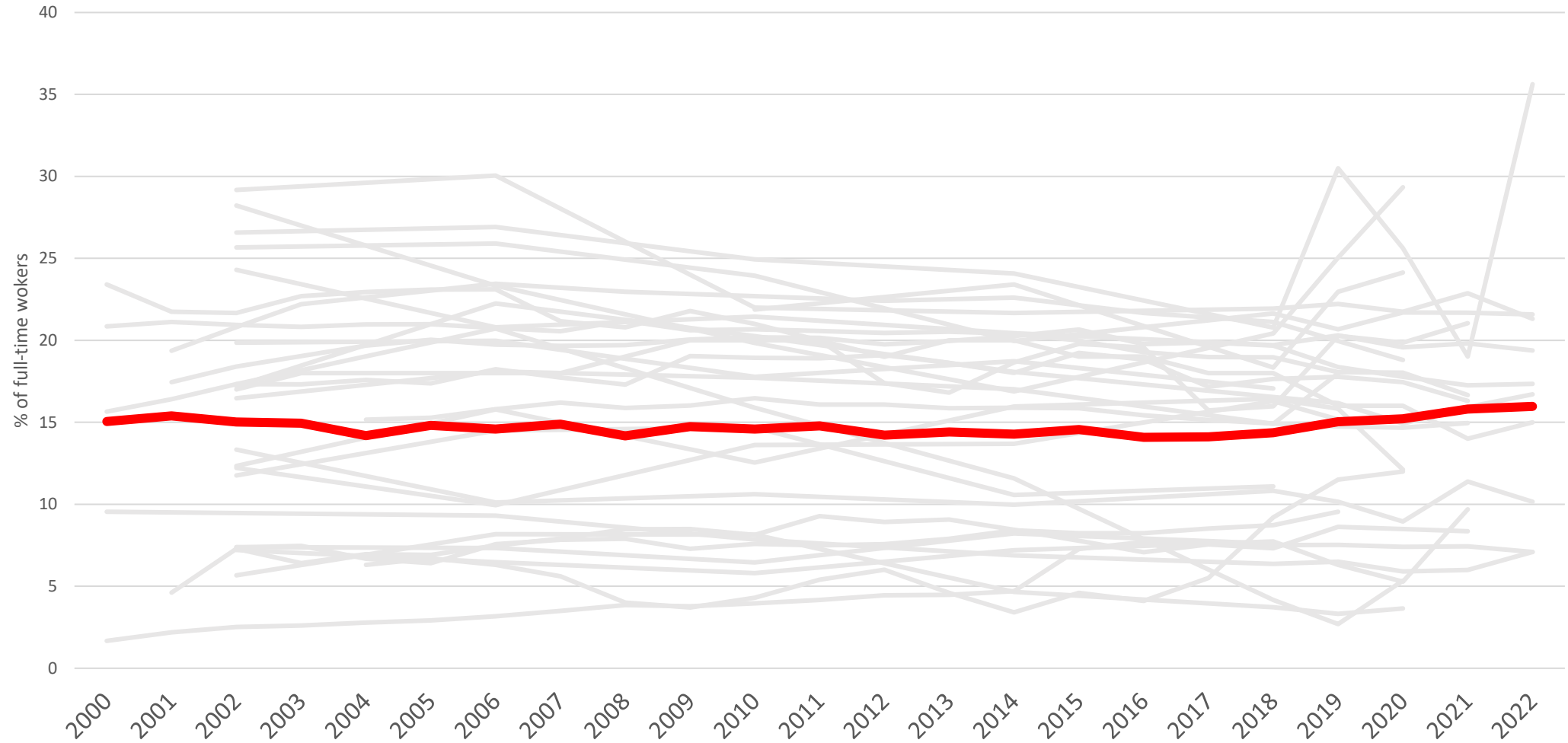
Sources: EU-SILC

# 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