



University of Antwerp  
| Faculty of Social Sciences

# More than wages: an examination of minimum income protection for workers

Minimum income protection network meeting, Brussels, April 25th

dr. Sarah Marchal

OXFORD



# ZERO POVERTY SOCIETY

*ensuring a decent income for all*



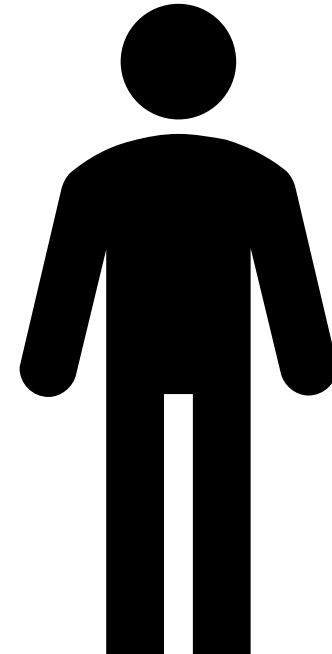
SARAH MARCHAL & IVE MARX

# Outline

- Minimum income protection for the working population: what happens at a fulltime minimum wage?
- Minimum income protection for the working population in the age of non-standard work
- Out-of-work minimum income protection and financial incentives
- The role of in-kind benefits and cost compensations
- A simple recipe?

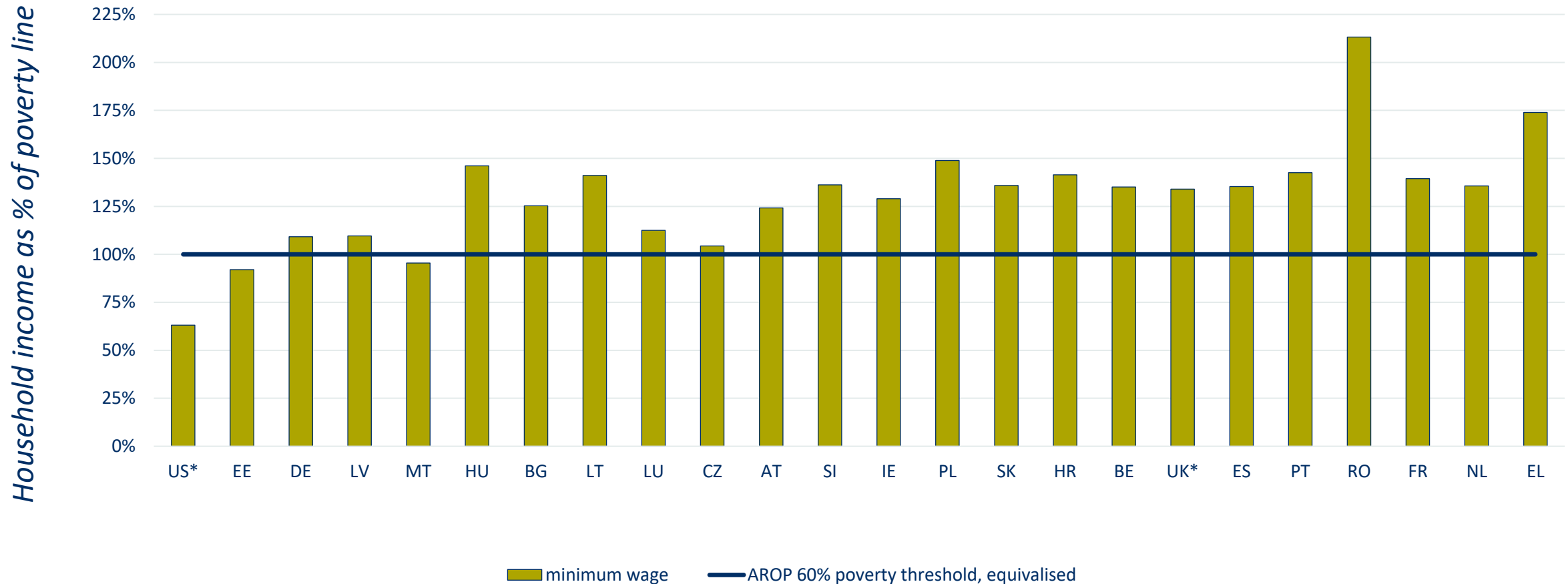
# Does fulltime work in principle allow to live a life free from poverty?

- **Model family simulation – EUROMOD-HHoT**
- **Minimum wage case**



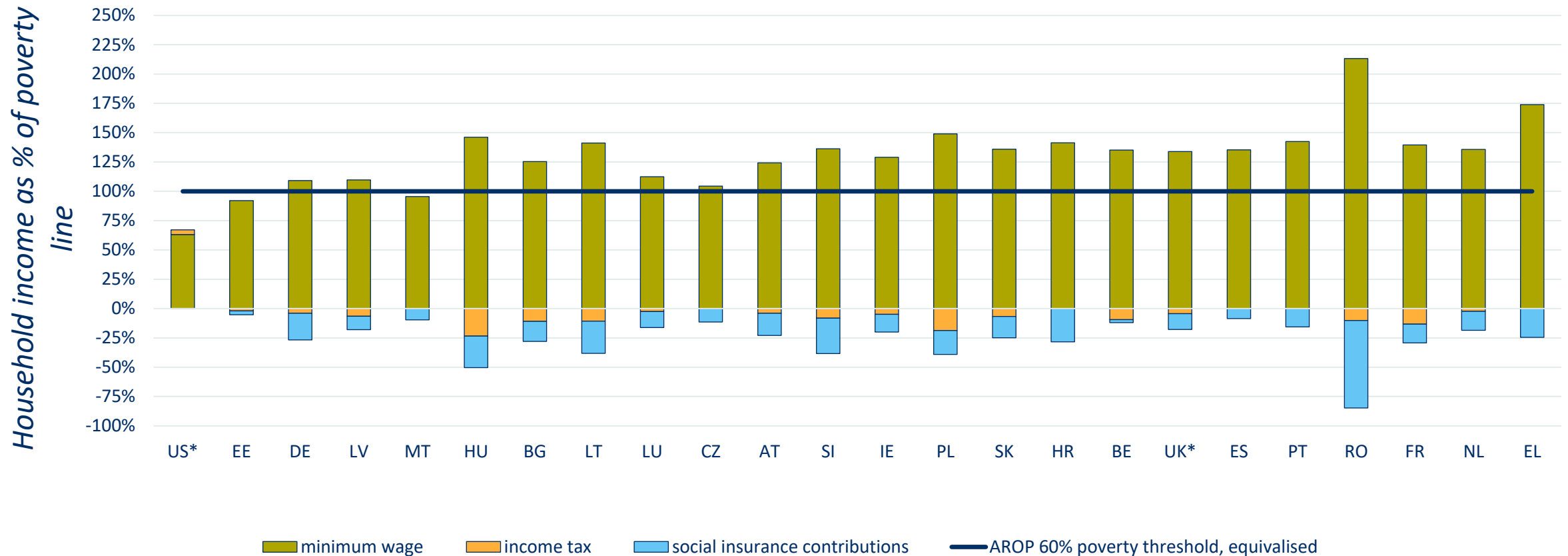
# Minimum wages are above the poverty threshold for a single person

Single person, working fulltime for the minimum wage, 2021



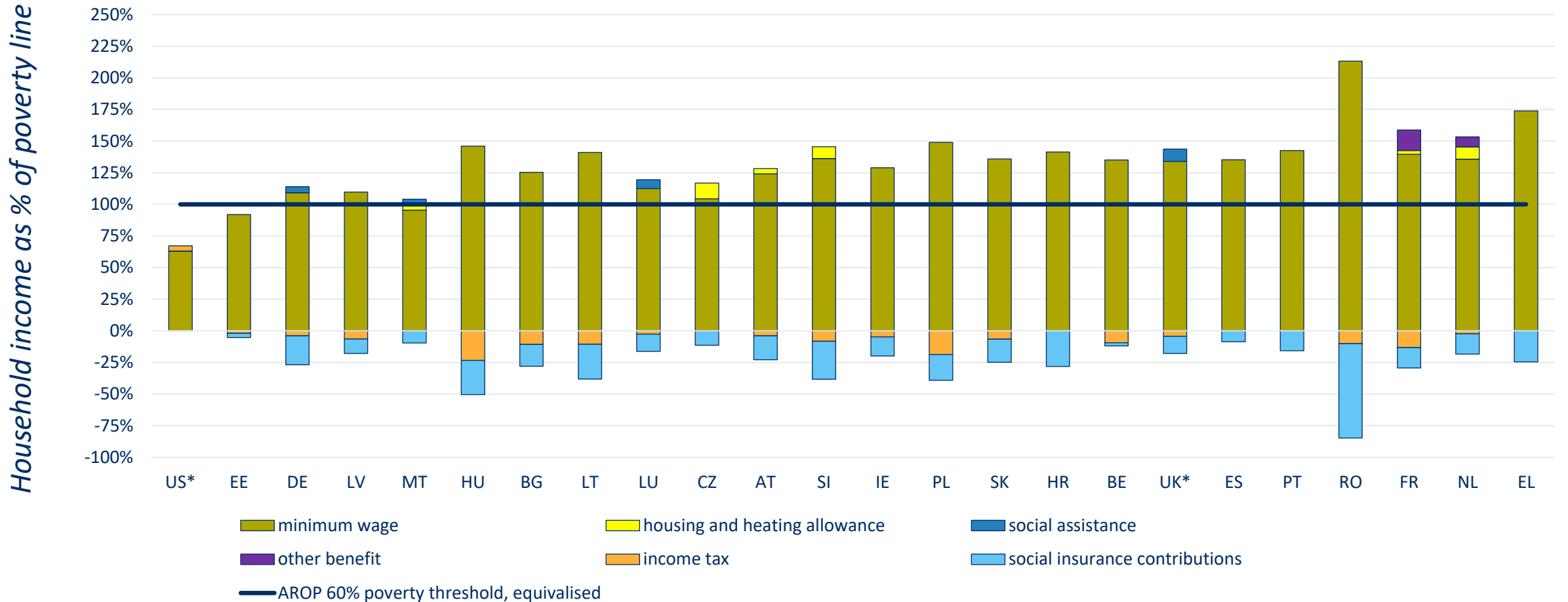
# The impact of taxes and social insurance contributions

Single person, working fulltime for the minimum wage, 2021



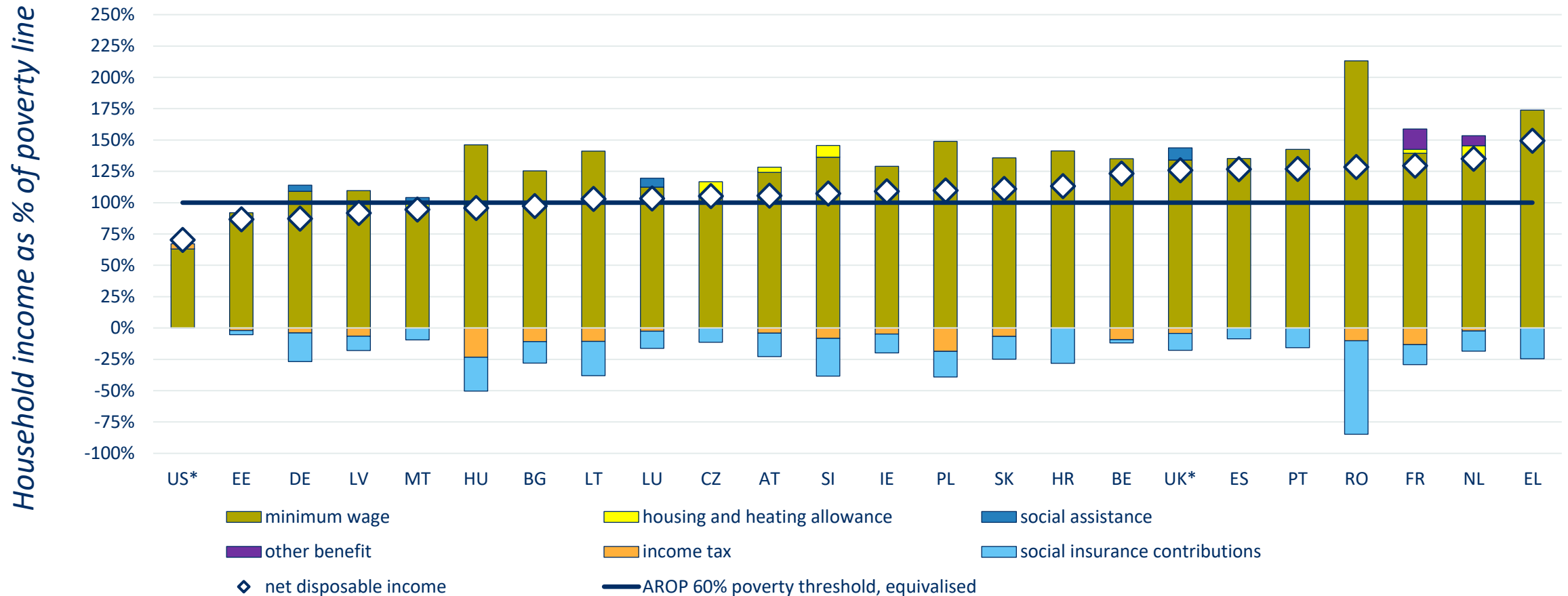
# Supplementary benefits

Single person, working fulltime for the minimum wage, 2021



# Net incomes fall short in 6 EU MSs

Single person, working fulltime for the minimum wage, 2021





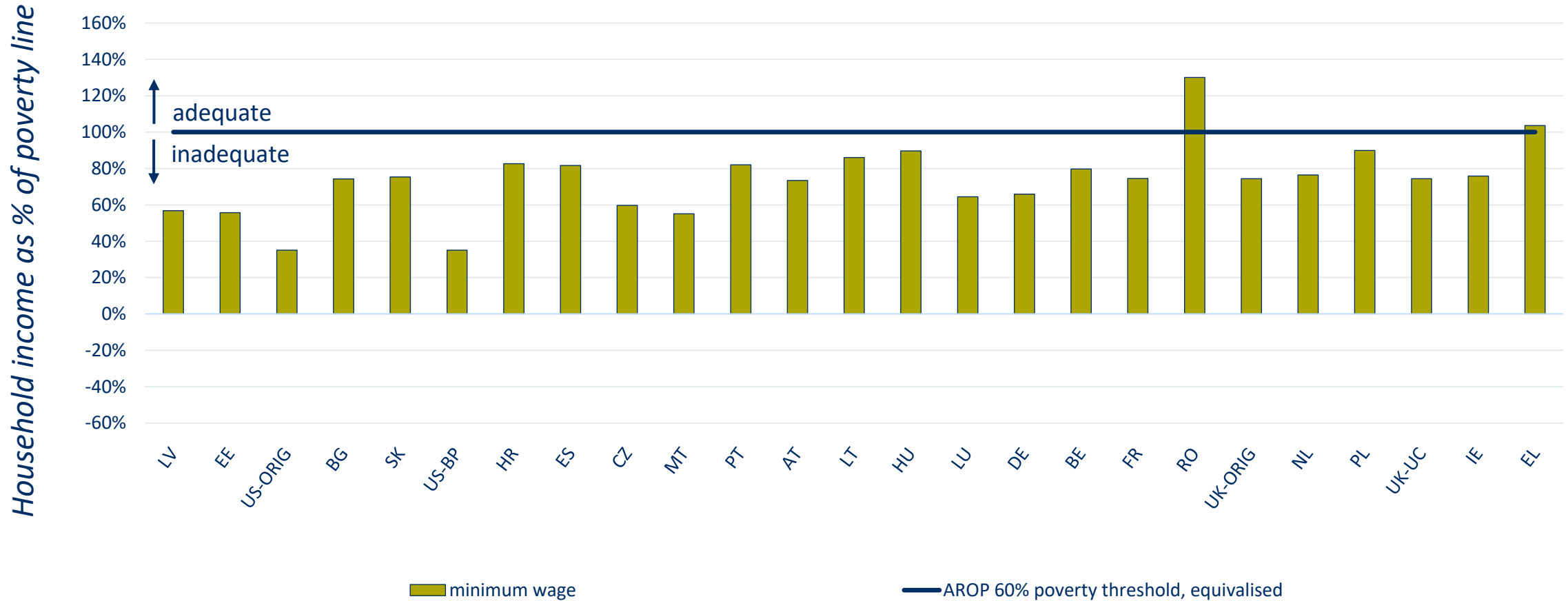
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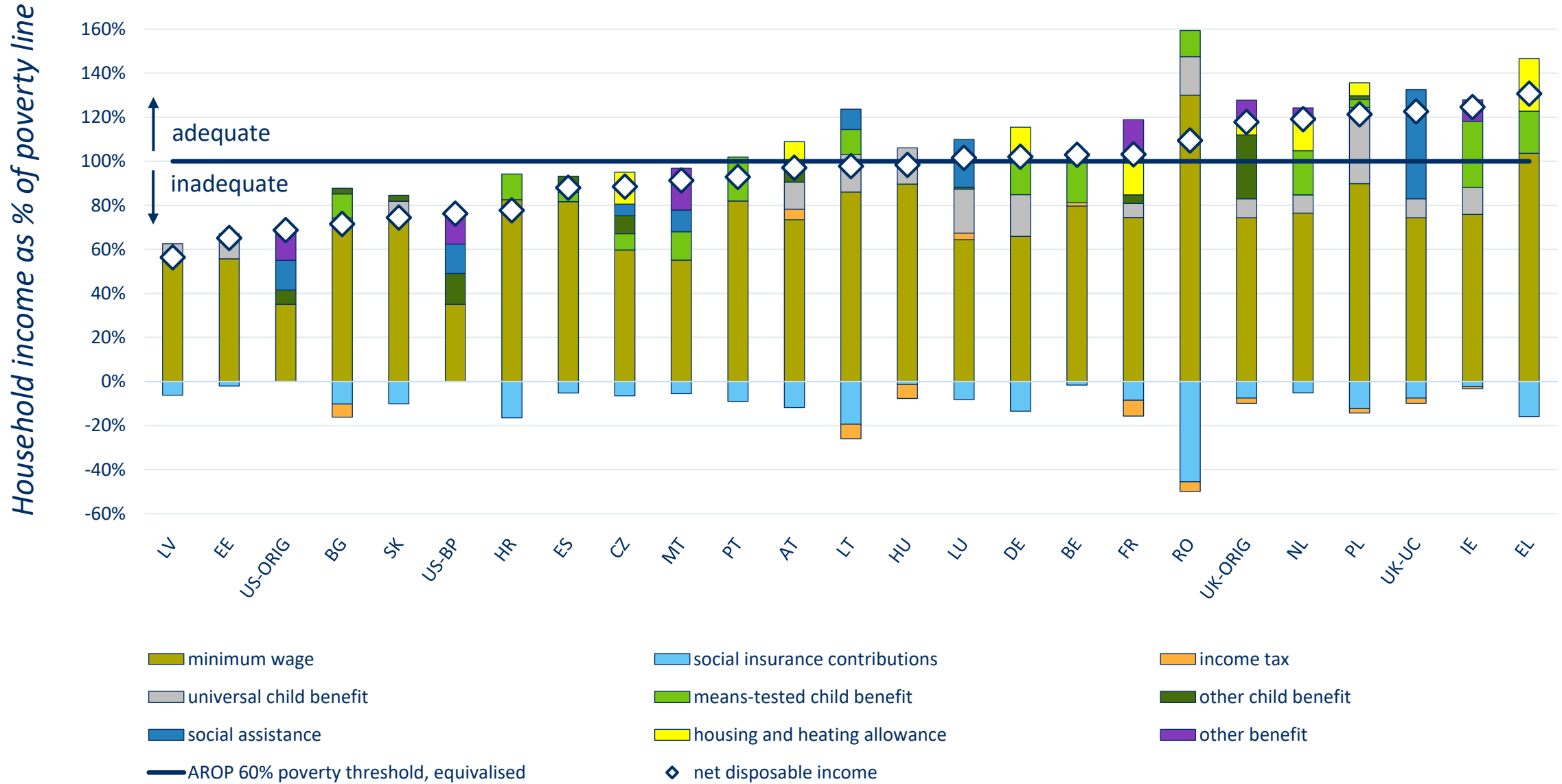


# An entirely different challenge

## Single parent, two children, working for the minimum wage

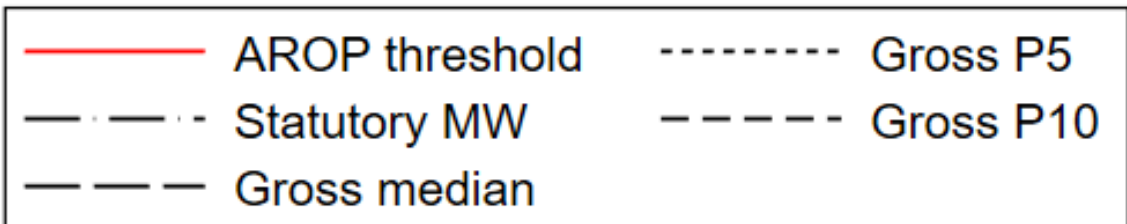
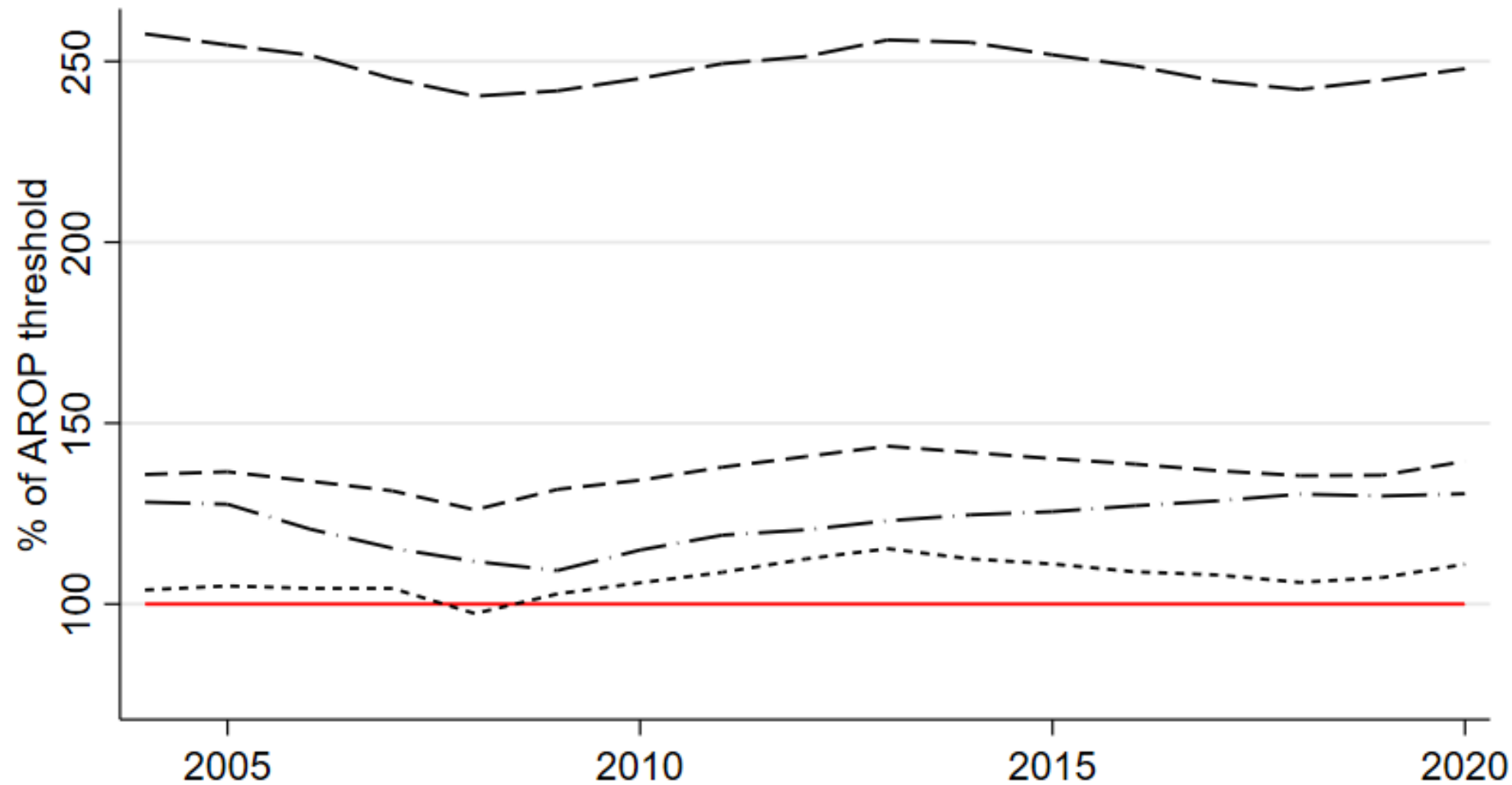


## Single parent, two children, working for the minimum wage



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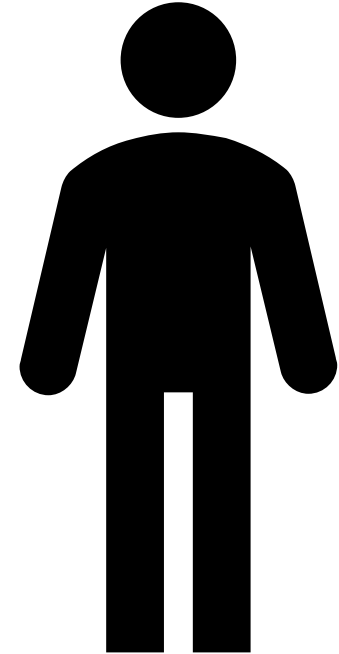


Notes: calculations for EU28+NO,IS. Gross full-time earnings data and single-person AROP threshold from EU-SILC. Statutory minimum wages from WSI minimum wage database.

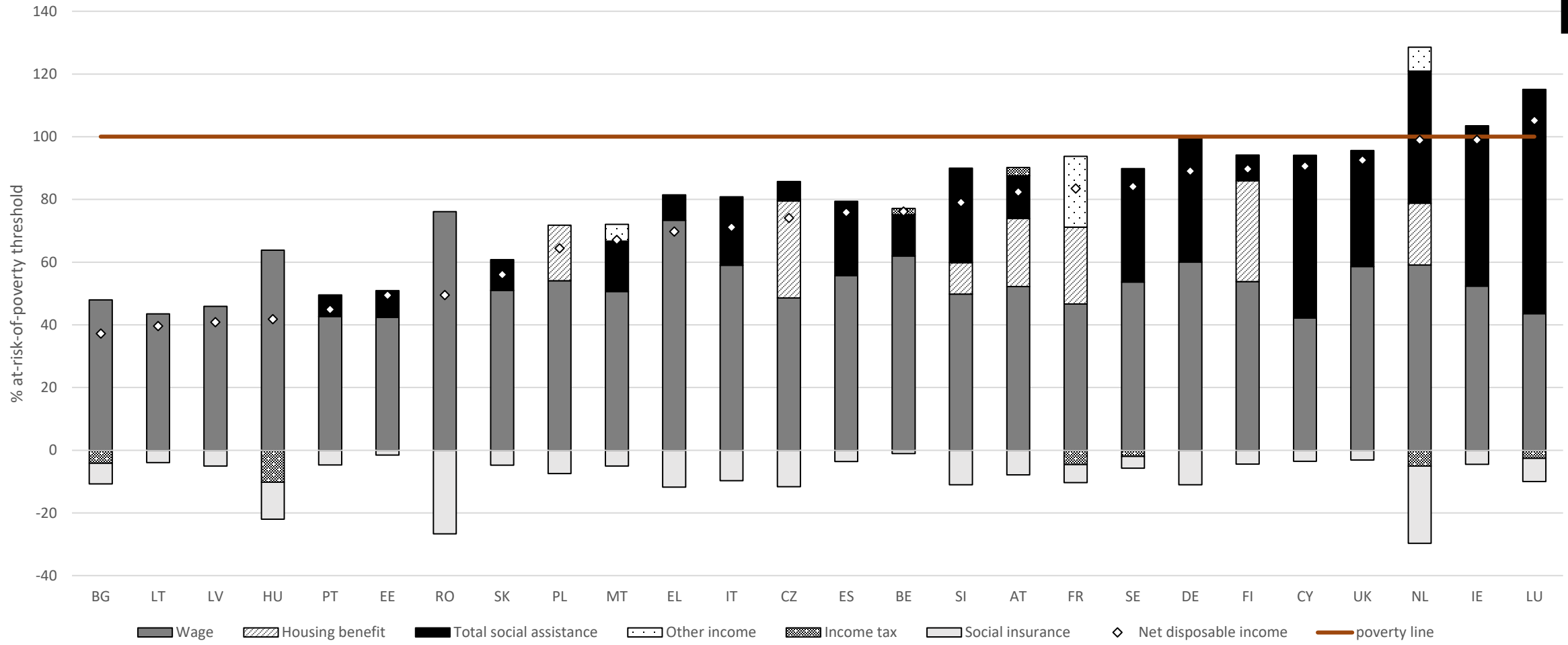
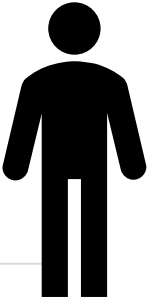
Source: Marx, Haapanala and Marchal, forthcoming

# Piecemeal labour market attachment

- **20% median wage, as employee or self-employed**
- **(Data refer to 2018)**



# Net disposable income at 20% median wage, single, 2018



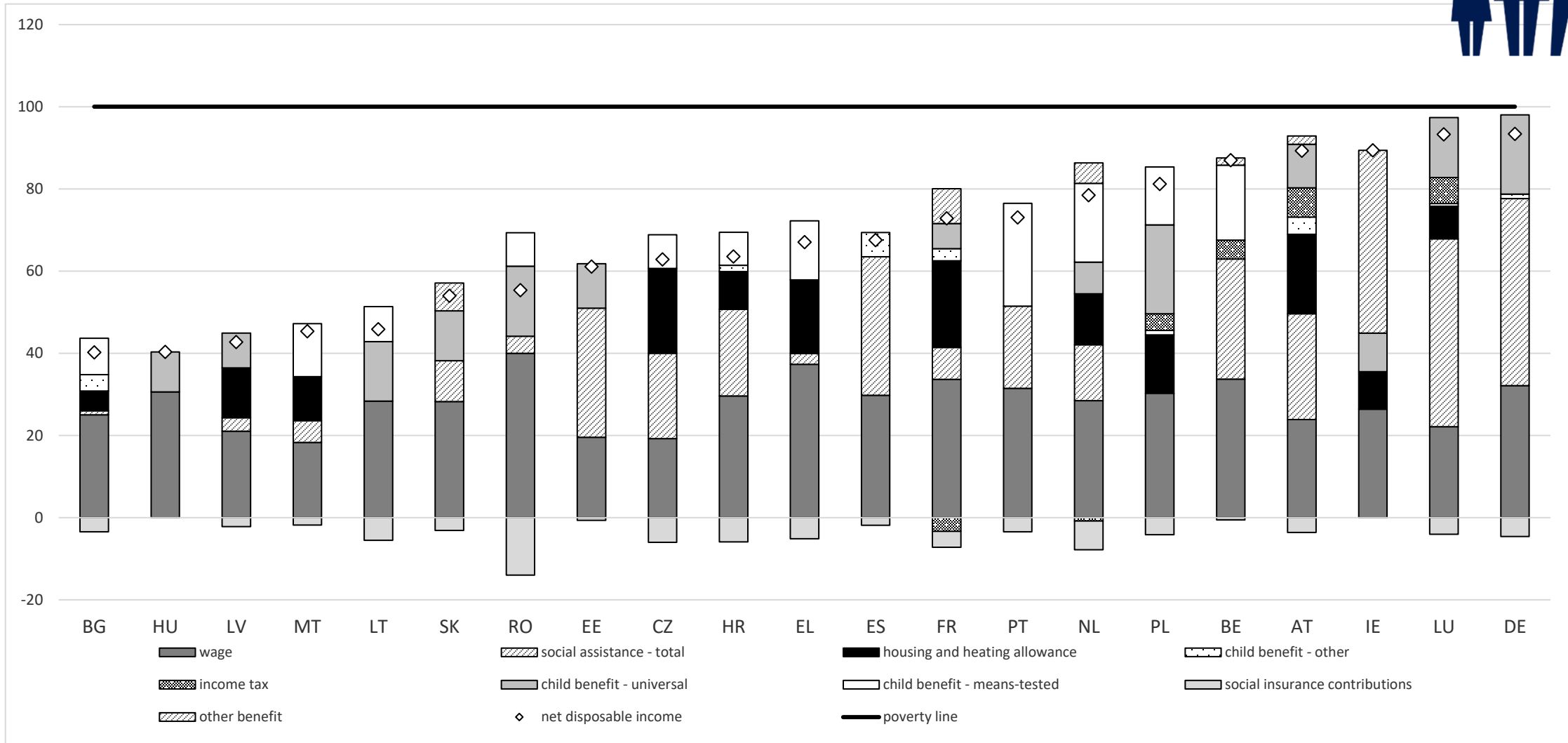
# Balancing care and work

- 50% of the minimum wage, parttime employment
- (Data refer to 2023)

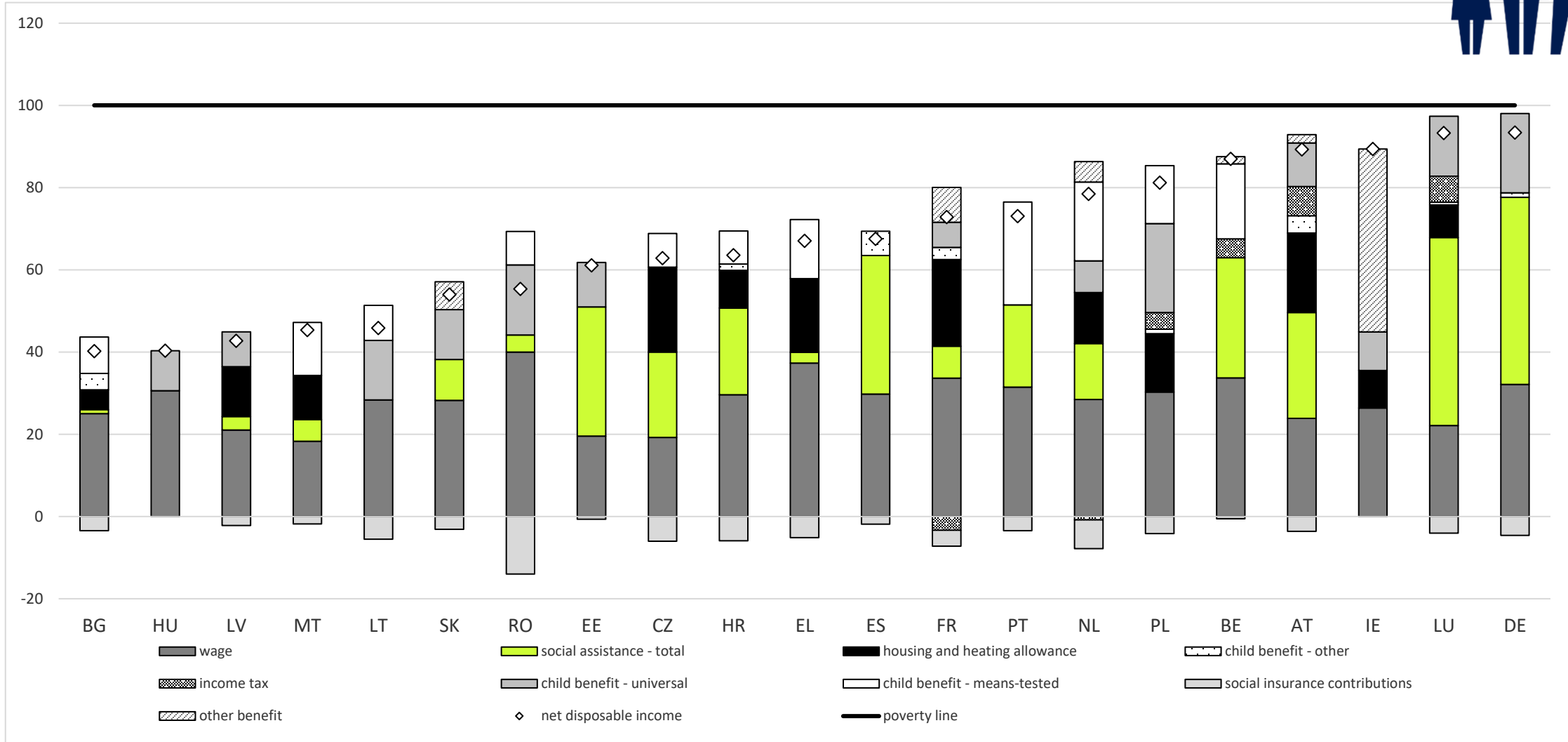




# Balancing care and work



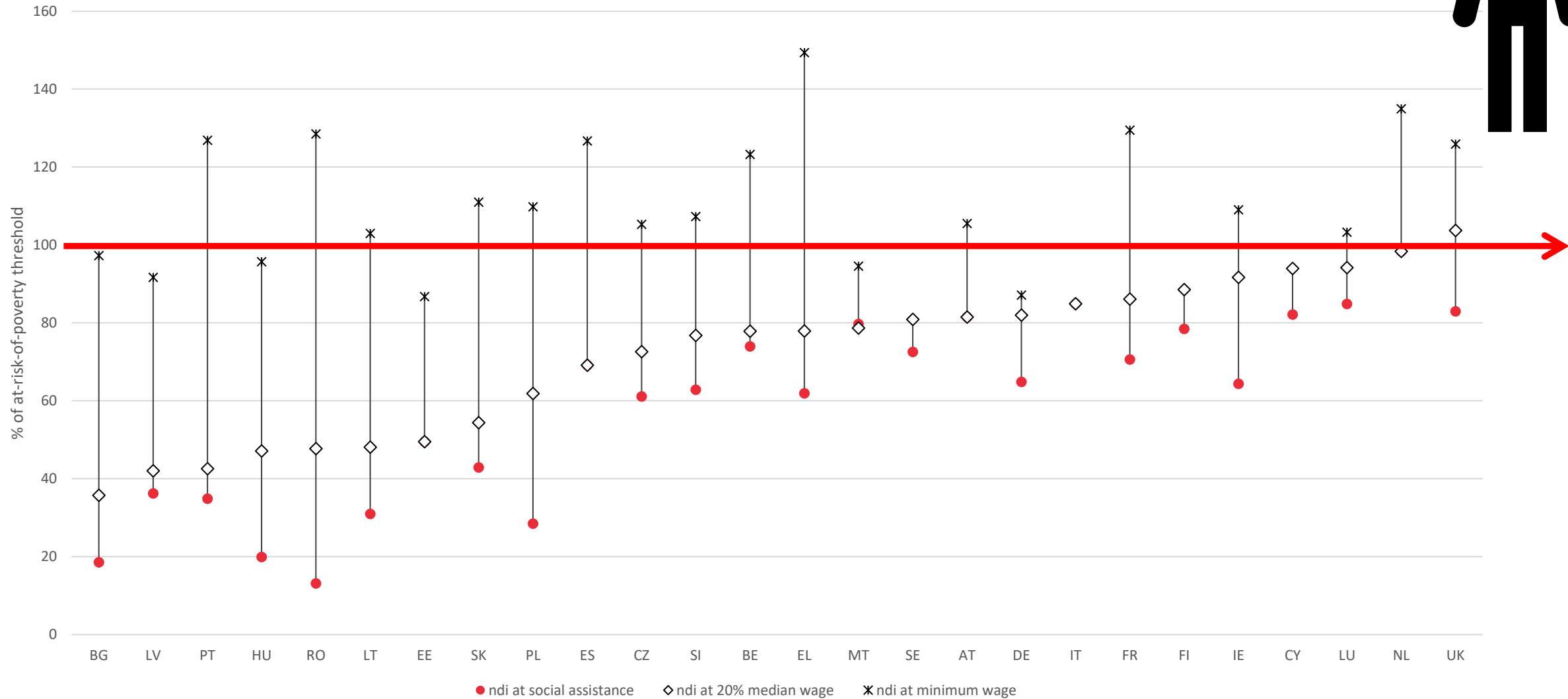
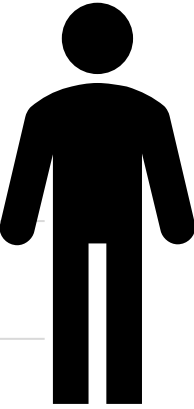
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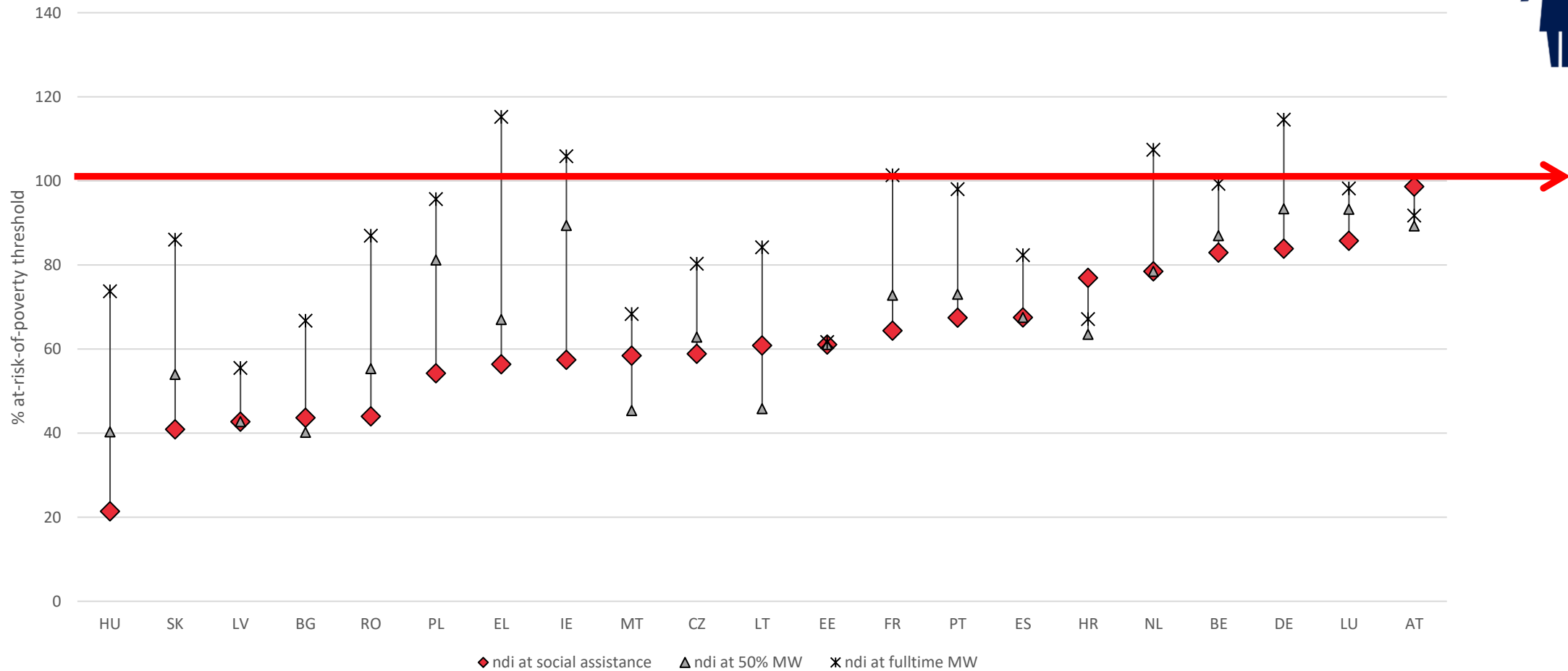
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# Inadequate out-of-work income protection, and limited room for improvement when financial incentives are of concern



# Guaranteed minimum incomes for non-working lone parents are inadequate almost everywhere, but some countries come close



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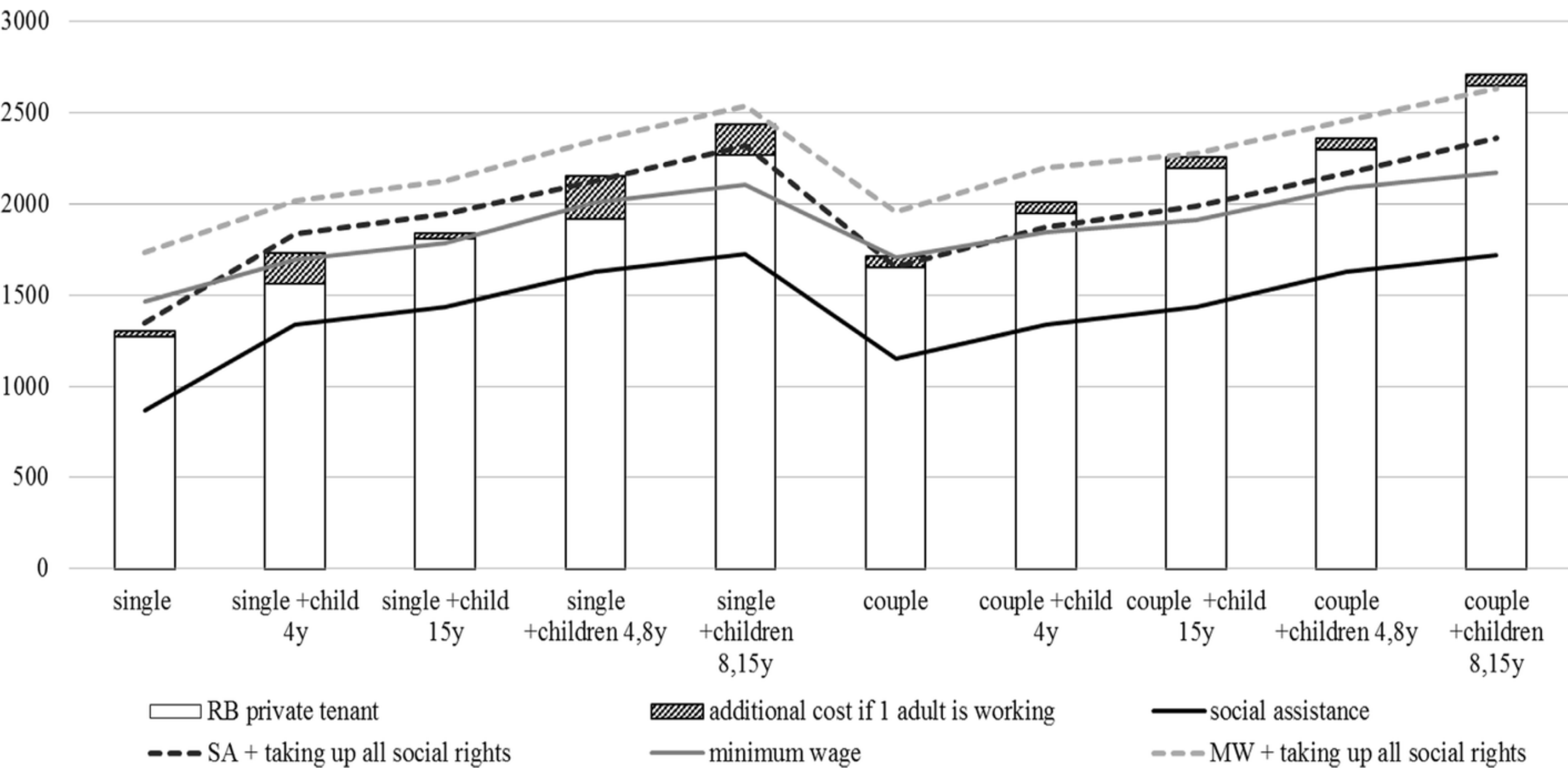
# Valuing cost compensations and in-kind benefits

- How to define the monetary value of cost compensations and in-kind benefits?
  - Research from Tess Penne, Ilse Cornelis and Bérénice Storms for Belgium
  - Using scientifically validated minimal needs defined in reference budgets
- Current debate: Impact on financial incentives
  - Different taper rates and income conditions
  - An important part is categorically tied to social security categories (social assistance and – sometimes also – unemployment insurance receipt)

# Cost compensations included in Penne et al. (2019)

Cost-reducing benefit	Provider	Main conditions
Social rent	Social housing company	Income threshold
Rent allowance	Flemish government	4 years waiting list social housing, below certain rent limit and income threshold
Fuel allowance	Non-profit organisation	Income threshold
Social correction Flemish energy tax	Flemish government	Specific social security categories, below certain energy limit <sup>a</sup>
Social tariff electricity and gas	Energy distributors	Specific social security categories <sup>a</sup>
Discount economical devices	Network operator	Specific social security categories <sup>a</sup>
Reduction water bill	Drinking water distributors	Specific social security categories <sup>a</sup>
Increased Reimbursement Health care	Health insurance service	Income threshold or specific social security categories
Reduction public transport	Public transport company	Increased reimbursement or specific social security categories
Social tariff internet and phone	Telecommunication provider	Specific social security categories <sup>a</sup>
Exemption/reduction Province tax	Province	Social assistance/increased reimbursement





# Nuanced assessment

- Distance between in-work and out-work incomes becomes smaller, but does not disappear
- Social assistance can provide top-ups, and with it also continuing (or even renewed) access to categorical support
- Monetary value remains relatively limited
  - At least under the assumption of healthy persons, living in qualitative housing
  - But also, under the assumption of full take-up
- Largest impact is due to social housing and rent benefit, both of which are tied to income test

# Impact of cost compensations on financial incentives

- Distance between in-work and out-work incomes becomes smaller, but does not disappear
- Still, working also comes with a cost
- A full shift to income testing comes with different concerns
  - The problem of the income concept of the self-employed
  - Different underlying logics, target populations and non-take-up

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# Is there scope for (incremental) improvement?

- MWs set at the higher prevailing ranges can provide adequate income to FT working single persons (and allows for near adequate SA), *but those with children need supplementary income support*
- So the optimal way of providing (supplementary) direct income support remains the other key question, with the issue of targeting vs universalism remaining at the forefront

# A simple recipe for (more) adequate MIP

- Set wage floors as high as the labour market can take without adverse employment effects, the minimum wage directive lights the way
- Keep taxes and social security contributions on low earnings to a minimum
- Have (quasi-)universal child benefits as a first layer of supplementary income support
  - Essential for groups of non-standard workers, who may experience highly volatile incomes
- Have targeted supplements for the most needy
  - Not every situation of need can be captured in rules
  - Do allow for some margin of error

# Thank you for your attention