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The Tragic Decline of the Poverty Reducing Capacity of the Welfare State: Lessons from Two Decades of Social Policy Research¹

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Abstract

Social policy research on poverty has made great progress in terms of the conceptualization and the measurement of both the dependent and the independent variables and paved the way for the development of social indicators, the use of which is now widespread and has become increasingly influential in Europe and beyond. The sobering conclusion of this rich and abundant research is that, although there was a great diversity in experiences across countries and across time, many welfare states succeed less in their central mission of reducing poverty. The causes of disappointing poverty trends in rich welfare democracies remain, however, poorly understood. In this paper, we provide an overview of what social policy research has learned about poverty and policy in recent decades. We argue that whereas social policy research in the past could limit itself to studying the impact of individual policies in order to come to recommendations on best practices, now more systemic, forward-looking and problem-solving approaches are needed. To that end, social policy research should take a wider time, scale and space perspective, looking not only at individual policies but also at bundles of policies, how these bundles are tied to the basic architecture of welfare states, how welfare states interact with each other and how they respond to changing social, economic and ecological needs.

¹ I thank Sarah Marchal, Anton Hemerijck, Kenneth Nelson, Martin Seeleib-Kaiser, Wim Van Lancker, Karel Van den Bosch and two anonymous referees for helpful comments.

Introduction

Poverty reduction should be at the heart of the social policy research agenda. Taking Rawls theory of justice as ethical compass, the primary mission of social policy is to improve, to the extent possible, the living conditions of the most vulnerable (Rawls, 1971). However, the empirical evidence suggests that, while relative income poverty among the elderly has declined quite substantially in many countries over the past decades, poverty among the working age population started to grow. From the Rawlsian perspective that social and economic inequality is only justified if the least advantaged in society benefit from it, the disquieting simultaneous increase in many European countries of inequality and poverty raises three sets of fundamental questions. *First*, why, in general, have welfare states in the past decades not been successful in reducing poverty, especially among the working age population? *Second*, why are some policies, countries and welfare regimes more successful in combatting poverty than others? *Third*, which policies are needed in order to be more successful in a future characterised by major transformations such as climate transition, ageing and digitalisation?

This chapter offers a critical review of what social policy research has learned about poverty reduction in Europe. Poverty can be conceptualized in different ways, and in this chapter the focus is on relative income poverty as commonly applied in research on rich countries today (Atkinson et al., 2002). Section 1 starts with a brief conceptualization of the time-scale-space relationships between the welfare state, social policy and poverty and what this does mean for research strategies to be successful. In section 2, without pursuing completeness, major research advancements in social policy and poverty research from the past two decades are reviewed. Section 3 continues with a critical account of social policy research and presents some recommendations for a deepened research agenda. We argue that, while social policy research in the past could limit itself to studying the impact of individual policies in order to come to recommendations on best practices, research shows that more systemic, forward-looking and problem-solving approaches are increasingly needed. Due to considerations of space, most of the research cited in this chapter were primarily (but not exclusively nor exhaustively) selected from the 2000-2020 issues of the *Journal for European Social Policy*.

1 Poverty, social policy and the welfare state: a systemic approach

The study of the relationship between the welfare state, social policy, and poverty is complex. First, because poverty is an ambiguous concept: it essentially refers to a relative, gradual, and multidimensional problem (Atkinson et al., 2002). The dependent variable therefore places great conceptual and methodological demands on the researcher who wants to empirically assess the impact of anti-poverty strategies. Second, poverty-trends are typically 'slow trends': sudden changes in the composition and the level of poverty occur only occasionally, as a result of major economic shocks, for example. Observing and explaining slow trends implies great data requirements: long and comparable time series are needed of both the dependent and the many independent variables at play. Third, poverty is the outcome of complex interactions between individual policies, underlying policy paradigms, and the basic architecture of welfare states.

Figure 1 shows the relationships between social policies and the welfare state in three dimensions (time, space and scale to be understood as the extent to which different policy instruments are considered, such as social security, taxation, education) and three layers (individual policies, policy paradigms and basic welfare state architecture).²

At the top layer of the pyramid, *individual policy interventions* are located. For example, minimum income policy during the pandemic differed from country to country, from region to region, and was time-specific. Such policy interventions are to a certain extent path dependent and thus linked to previous policies (time); they take place in a broader institutional context, of sometimes long-standing minimum income schemes and other regulations, for example on social security, activation or minimum wages (scale) while, certainly in Europe, they are also taking place in a broader space than the national welfare state (space). Specific social interventions need therefore to be evaluated as part of a broader institutional context that originated in a more distant past and are dependent or at least influenced by experiences elsewhere.

The second layer of the pyramid representing '*welfare regimes*' and *associated policy paradigms* is broader in both time and space, but also scale. The institutional context and poverty outcomes at this level of analysis represent different policy regimes (or paradigms) that display – although in constant flux – a certain degree of stability over time (for example, in Scandinavian welfare states minimum incomes are typically higher than in liberal regimes). Paradigm changes and their translation into policies occur over many years, involve a whole range of instruments and their impact on poverty are most likely visible only after a long time.

At the third level of the pyramid, in the broadest time-scale-space dimension, *the basic architecture of the welfare state* characterized by the interplay between capitalist markets, the state and families is situated, and. At this level of analysis, social progress in the postwar welfare state rests on the assumptions of full employment, wage growth, better social protection and expansion of collective goods and services.

To understand the effects of social policy on poverty, contemporary research indicates that it is necessary to go through the three layers of the research pyramid. Let us take minimum income protection as an example. At the top, the theoretical impact of minimum income policies on poverty can be studied using simulation models. Standard simulations suggest, for example, that means-tested minimum incomes are inadequate in most countries (Marchal, 2017) while empirical simulations of more generous social assistance benefits suggest that this would be a more effective route to reducing poverty than, for example, increasing minimum wages (Leventi et al., 2019).

A broader time, space and scale perspective reveals, however, more nuanced but no less disquieting insights. Cross-country comparison shed a light on, for example, positive associations between the size of social assistance and high poverty rates (space). Or to take

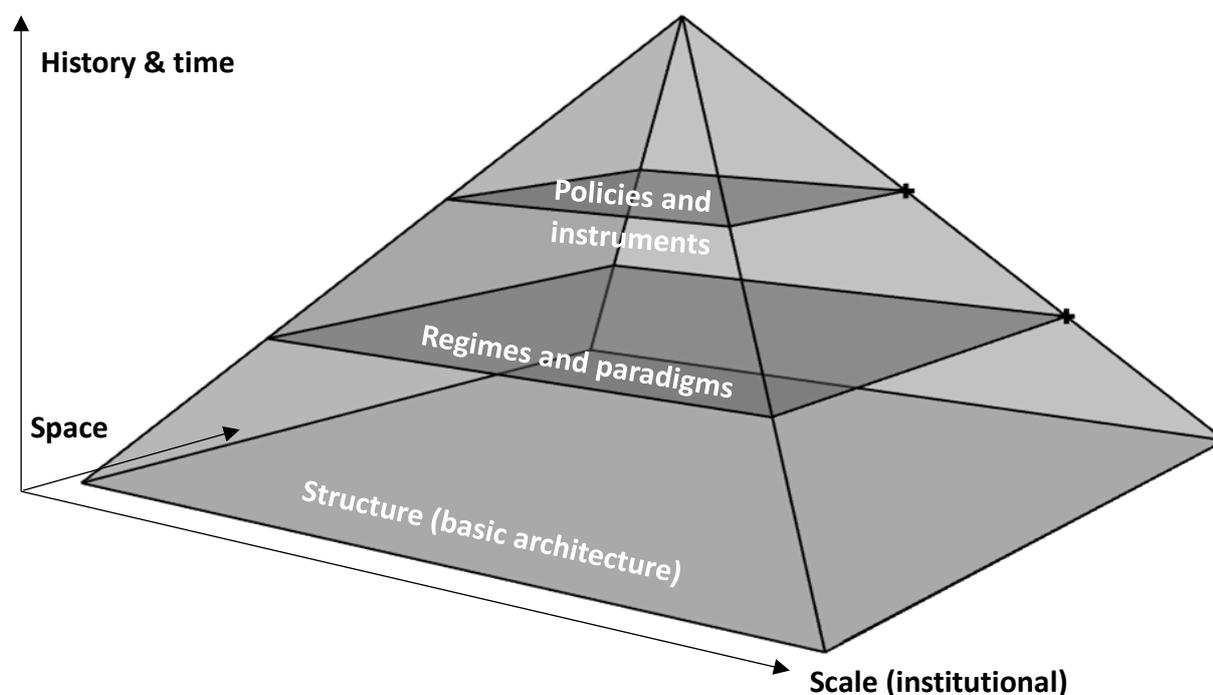
² I thank Pieter Leroy for this figure, which he used in a slightly different version as part of an analysis of policies and climate transition (Leroy, 2020).

yet another example, by studying the relationship between minimum income protection and minimum wages, it appeared that more generous minimum benefits might create unemployment traps with potentially a negative impact on the employment of low-skilled workers (scale, see e.g. Carone, 2004). Such findings qualify the outcome of simulation models predicting that increasing the generosity of social assistance is the most efficient path to poverty reduction. Comparisons across time and space might, moreover, show that the inadequacy of the social floor is a long-standing and fairly universal problem in welfare states which might point in the direction that there is more to it than just individual policy (non) interventions (time, see e.g. Marchall, 2011). This might suggest that there are factors at play that transcend policy options in the upper zone of the pyramid.

The poverty-reducing effect of minimum income protection is clearly more complex than what might be inferred from approaches that focus only on what happens at the top of the pyramid. To understand the structural nature of the inadequacy of minimum income protection we must descend to the base of the pyramid. For example, the ‘productivity-pay gap’ which has become a major focus of research might support the hypothesis that the inadequacy of the social floor is related to the decoupling in many countries of wages and productivity so as to put a ‘glass ceiling’ on minimum incomes (Cantillon et al., 2011). Another structural explanation that also relates to the bottom layer of the pyramid might refer to the impact of social-demographic changes on the evolution of the poverty line itself. The spread of dual-earnership may have exerted an upward effect on the poverty line, making it more difficult to maintain adequate social protection for single-earner families (Marx, 2012). Both trends might point to a *systemic* feature of the inadequacy of the social floor in postwar welfare democracies.

Solutions can look very different depending on the time-scale-space perspective of the analysis. Social policy research shows that a too narrow a focus risks heavily restricted or even wrong solutions. When studying the impact of social policy on poverty, researchers need a broader lens. In the case of minimum income protection, not only interventions in the minimum income schemes *as such* needs to be evaluated but also 1) policy packages (for example: the effect of minimum incomes on poverty cannot be studied in isolation from low wages), 2) policy paradigms and associated bundles of policies (for instance: restrictions on the generosity of social minima may be part of and compensated by work related welfare reforms that effectively reduce unemployment among the low skilled) and 3) the structure of the welfare state itself in the broader macro-economic and social context (for example: restrictions on the generosity of social minima may *not* be compensated by work related welfare reforms because of a simultaneous drop in minimum wages or a skewed distribution of work).

Figure 1: Social Policy and the Welfare State: a systemic approach



2 Social policy and poverty: the knows, don't knows and need to knows

In recent decades we have seen strong investment – both in Europe and elsewhere in the world – in the collection of data on the material and immaterial living conditions of individuals and households. Back in the 1980s, the Luxemburg Income Study (LIS) was the first project to allow cross-country comparison of such data from national sources. Thanks to the EU-SILC (the European Union Statistics on Living Conditions) there are now European data series based on largely harmonized survey methods and administrative databases. Recently, thanks to the Eurosystem Household Finance and Consumption Survey (HFCS) also wealth and debt can be taken into account in the measurement of poverty within and across countries.

Innumerable studies have relied on these data in trying to chart and understand the phenomenon of poverty and social exclusion in a cross-national perspective. Across countries large differences have been found in poverty levels but, invariably, lone-parents, low-skilled persons, households with a low work intensity, migrants and benefit claimants are at greater risk³. Strikingly, many countries have seen a steady decline in poverty among older persons, but low incomes lagging behind the median, especially among the working age individuals and their children (Cantillon et al., 2014 and 2019; Fischer & Strauss, 2020; Nolan, 2018).

³ See the Eurostat social exclusion indicators (<https://ec.europa.eu/eurostat/web/employment-and-social-inclusion-indicators/social-protection-and-inclusion/social-inclusion>). Interestingly, the same risk categories emerged from a study that took also into account assets and debt (Kuypers and Marx, 2021).

In Europe, between 2004 and 2007, trends combined three patterns: stability in at-risk-of-poverty rates for the non-elderly population in the majority of countries, increasing poverty rates in some countries, and decreasing poverty rates in yet another set of countries. Overall, the verdict on the antipoverty ambitions of the Lisbon strategy was unequivocal: poverty had not decreased in most of European nations (Cantillon & Vandenbroucke, 2014). In the aftermath of the 2008 financial crisis, the picture had become truly negative, not in the least due to strong diverging trends within the EU. Decreasing employment rates in the recession settled in increasing poverty rates in different degree: at-risk-of-poverty increased dramatically in some of the southern European countries whereas in other countries trends were less disappointing (Cantillon, Goedemé & Hills, 2019). In the decade that followed, in the southern European countries the bottom of the distribution fell away. The new member states did relatively well, mainly due, however, to falling severe material deprivation among non-poor households while in the old member states poverty and inequality increased (Fischer & Strauss, 2020).

As a general trend, since the second half of the nineties, relative income poverty started to grow in many countries, especially among the working age population, the low skilled and jobless households while child poverty began to rise pointing to what might be referred to as a precarization of poverty. Also in-work-poverty is a cause for concern because in many countries trends have been upward (Marx & Nolan, 2012; Crettaz, 2013; Halleröd et al., 2015). This occurred in Europe but also elsewhere in the world of rich welfare states, albeit at different levels and speed. What has social policy research learned about the role of social policies and the impact of welfare state's social fabrics ?

Without striving for completeness, in the following the many relevant research findings on the impact of social policies on poverty are organized according to the different layers of the research pyramid proposed in Figure 1. What has social policy research learned about the impact of (bundles) of policies? What do we know about the effect of different welfare regimes and of changing policy paradigms? And what do we know about the effectiveness of the modus operandi of the welfare state itself in a changing social, economic and demographic environment?

2.1 The impact of policies

Anti-poverty policies, broadly defined, are aimed at a) reducing market income poverty and increasing social promotion through labour market regulation, activation and capacitating services; b) redistributing income through taxation and at social protection and c) social intervention within local communities.

A) Pre-distribution and social promotion

The relationship between social policies, market income inequality and poverty is a complex one. Social policy reduces market income distribution through labour market and minimum wage regulations, activation, investment in human capital, childcare etc. while, on the other hand, too generous social benefits might cause unemployment traps especially for the low

skilled, reduce their job opportunities which might lead to a more unequal pre-distribution (Mayes, 2002; Vandelannoote & Verbist, 2020). These issues lie at the heart of recent social policy research also because of the paradigmatic shift that has taken place in many countries since the second half of the 1990s towards work-related welfare reforms and social investment having the reduction of market income poverty as their very goal. In general it has been shown that more “pre-distribution equality” goes hand in hand with less poverty (see e.g. Kammer et al., 2012).

Given the importance of income from work for most people of working age, employment and the wage distribution are of obvious importance in reducing market income poverty. However, research has pointed at several reasons why employment gains do not necessarily translate into lower poverty rates. These include the growth of in-work poverty (Lohmann & Marx, 2019; Halleröd et al., 2015); the ‘inefficient allocation’ of employment, when the additional jobs do not go to the poor, low-work-intensity households (Corluy & Vandembroucke, 2014); and, inadequate social protection for those who do not benefit from job growth. Dealing with all three of these factors is important in any strategy to reduce poverty but research suggests that doing so faces conflicts. Achieving both employment growth, especially among the low skilled, and adequate social protection requires important efforts in terms of both the budgets involved and the construction of a coherent policy package (see e.g. Vandelannoote & Verbist, 2020). While research on how to design efficient in-work benefits and tax credits is well developed (see e.g. Kenworthy, 2019), research on how to pursue a better allocation of jobs among households and on strategies to create job opportunities for the low skilled is scarcer.

In recent decades a shift in policies (a) from ‘protection’ to ‘activation’ and (b) from transfers to services (e.g. childcare) has been witnessed and referred to by some authors as a ‘social investment turn’ (Hemerijck, 2017) in the wake of which social policy research has increasingly focused on the impact of enabling policies, such as child care and life-long learning. Investigations of such strategies suggest that they are at least in the short term subject to Mattheuw effects (Parolin & Van Lancker, 2021). Once indirect effects on poverty (for example via employment) are taken into consideration, and analyses are made more long-term, the effects of social investment might be found to be more (Plavgo & Hemerijck, 2021) or less pro-poor (Parolin & Van Lancker, 2021; Havnes & Mogstad, 2011)⁴. Measuring these effects thus require analyses with a long time perspective that also takes into account the wider social and economic context in which these policy interventions take shape (see the second and third layers of the research pyramid).

The reduction of market income poverty is related to the broader issue of equality of opportunity and equality of outcomes which is central to the debate over the potential of

⁴ Havnes and Mogstad analyzed the impact of subsidized child care in Norway and found little, if any, causal effect of subsidized child care on maternal employment, despite a strong correlation.

social investment strategies. Influential authors such as Giddens (1998)⁵ have argued for a shift in policy focus from ‘equality of outcome’ to ‘equality of opportunity’ and from ‘protecting’ to ‘activation and empowerment’. Research has, however, pointed to the persistence of traditional stratification cleavages (Pintelon et al. (2013) which admittedly differs greatly in different welfare regimes (Esping-Andersen, 2014 and Bukodi & Paskov, 2018). It has also been shown that capacitating services whose purpose is to increase equality of opportunity tend to generate Matthew effects, referring to strong inequalities in the take-up. The use of these services might thus jeopardize the potential equalizing effects of childcare services on future life chances of vulnerable children (Parolin & Van Lancker, 2021). Research on the effects of income poverty on children’s developmental opportunities has also given support to the idea that inequality of outcome directly affects inequality of opportunity.

Wealth is another important issue related to pre-distribution of economic well-being. Research has pointed to the unequal distribution of gifts and inheritances and to the fact that the poor have generally few assets (Kuypers & Marx, 2021). The relation between wealth and anti-poverty strategies is, however, still in its infancy and needs to be further deepened especially in terms of problem-solving strategies (see Marx & Nolan, 2021). Interestingly, Morelli, Nolan, Palomino and Van Kerm (2018) suggested to make the link between income and wealth poverty on the one hand and the concentration of wealth at the top on the other. Research on anti-poverty strategies that goes beyond the focus on poverty alone should embrace such essential and broadening issues both theoretically and empirically, and also indicate avenues along which further policy-oriented research may proceed.

B) Redistribution and protection

Vertical solidarity through progressive taxation and targeted social assistance redistributes from the rich to the poor. Horizontal ‘piggy bank’ solidarity redistributes between persons who are in different phases in their life cycle, for example from the healthy to the sick. Social spending levels suggest that the welfare state is mainly a collective piggy bank (Barr, 2001) designed for horizontal and life-course redistribution. Consistent with the universalism-thesis the late John Hills articulated the virtue of horizontal redistribution as follows: “As a result of all this variation in circumstances over our lives between good times and bad times, most of us get back something at least close to what we pay in over our lives towards the welfare state. When we pay more than we get out, we are helping our parents, our children, ourselves at another time...” (Hills, 2014). Generally a negative relationship is found between targeting and universality (see Korpi & Palme, 1998) although recent research indicates a significant weakening of the relationship. Marx, Salanauskaite and Verbist (2013), amongst others, found that the relationship between the extent of targeting and redistributive impact has in fact become a very weak one. Today, targeting tends to be associated with higher levels of redistribution, especially when overall effort in terms of spending is high. Further

⁵ It would be a misconception that social investment scholars by and large prioritize capacitation over poverty alleviation. In *Why We Need a New Welfare State (2001)* Esping-Andersen, Gallie, Hemerijck and Myles were adamant – against the Third Way – that strong income protection is needed to effective social investment strategy.

fundamental research needs to be done on the causes and drivers of this important research that calls into question a hitherto generally accepted hypothesis in social policy research. One of the possible causes may refer to a systemic weakening of the poverty-reducing effect of horizontal redistribution which we will address now.

The strong poverty reducing effect of the 'piggy bank' has to do with the size of the budgets involved but also with the fact that horizontal redistribution generates considerable vertical redistribution too. Because low-income groups face higher risks of unemployment or sickness than high income groups, the horizontal solidarity implied in social insurance systems effectuates significant vertical redistribution from the rich to the poor. Social security benefits are usually also more generous and more effective than targeted social assistance⁶.

While social security remains crucial, recent research shows however that, although spending levels kept rising (Greve, 2020), the poverty reducing capacity of social protection systems for the working age population declined in many countries (Immervoll & Knotz, 2018; Causa & Hermansen, 2019; Nolan et al., 2018). Social policy researchers have linked this phenomenon with a "dual transformation" (Bleses & Seeleib-Kaiser, 2004; Cantillon, 2011; Emmenegger et al., 2012) which retrenched earnings-related benefits for long-term unemployed and atypically employed people and expanded social security to so called 'new social risks' (Bonoli, 1997) that benefit two earner families in higher income groups more (Pavolini & Van Lancker, 2018). Fleckenstein, Saunders and Seeleib-Kaiser (2011) pointed to functional underpinnings - the changed skill requirements of de-industrialized economies - for the evaporation of comprehensive unemployment protection on the one hand and the expansion of family policies on the other. This element refers, at least in part, to structural constraints on the poverty reducing capacity of horizontal redistribution in contemporary welfare states.

Partly for that reason, in the past decades, social assistance has become increasingly more important. Social policy research has however pointed out that social assistance faces important inherent problems. The first problem refers to non-take up (Bargain et al., 2012; van Oorschot, 2002; Dewilde, 2019). The second problem relates to the fact that it is, by design, not preventive as is, to a certain extent, the case with social insurance. The third problem refers to the structural inadequacy of benefit levels. In Europe, compared to the 60% poverty threshold, even in the most generous settings, minimum income protection for jobless households falls short, in particular for families with children. This seems to be, at least in part, a *structural* problem because in many welfare states the wage floor, too, is inadequate (Marchal, 2017). So conceived, the increase in dependency on social assistance in a large number of countries is worrying, an issue that remains, however, underexposed in social policy research.

⁶ Public opinion research suggest that this is related with greater public legitimacy (Van Oorschot, 2002). Research also pointed to the fact that social insurance is more resistant to retrenchment, *inter alia* because social partners are usually more directly involved in social security systems than in social assistance (Nelson, 2007).

C) *Place-based social action*

In disconcerting circumstances, from the late 1970s onward, as spontaneous responses to growing social needs, a wide range of local social action emerged on the margin of the welfare state. Gradually, social innovation became a third pillar of the welfare state (Ferrera, 1996; Kazepov et al., 2021; Oosterlynck et al., 2017) which role can hardly be overestimated just as the support received from Europe, think of the Social Funds (Greiss et al., 2021). The role of civil society, social entrepreneurs, and local governments is important, but the impact on poverty is difficult to measure. If well designed, local social action can help to empower and capacitate individuals who are insufficiently supported by traditional social policy and improve their capacity to participate in society (Oosterlynck et al., 2017). Although one should not expect these actions alone to have a direct and significant impact on at-risk-of-poverty rates, by alleviating hardship, by forcing public authorities to recognize emerging needs, by strengthening the underlying social fabric, and by fortifying society from inside out, place-based social innovation can help to create the social and political conditions for more enduring poverty reduction. Research is needed here on the interplay between place-based social innovation on the one hand and the institutions of the welfare state on the other: How can best practices be identified? Under which conditions is upscaling possible? Do local initiatives penetrate the institutions of the welfare state and how can different levels reinforce each other (Kazepov et al., 2021)?

2.2 *About the impact of policy regimes and policy paradigms*

From the foregoing, it appears that success in combating poverty is related to multiple factors, such as the extent to which the institutions of the welfare state succeed in reducing market income inequality, in redistributing resources by means of social and fiscal transfers, and in providing access to services such as health care, education, child care, and lifelong learning. Poverty outcomes can only be understood as the outcome of the whole of these interventions, which might be referred to as the 'social fabric' of the welfare state.

Between the multiple functions of the welfare state there are many positive interactions but also difficult trade-offs, for instance, as explained above, between work and poverty or between horizontal and vertical solidarity. Different types of welfare states deal with these trade-offs in different ways, resulting in structurally different poverty outcomes. For instance, the performance of the Scandinavian welfare states is structurally - i.e. considered over the longer term - better than that of the liberal welfare states, although policy changes appear to have altered this general statement, as evidenced by the dramatic rise in poverty in Sweden over the past 20 years (Cronert & Palme, 2019). In a study of the social outcomes of different welfare regimes, Kammer et al. (2012) replicated the established welfare typology (as suggested by Esping-Andersen, 1990 and Ferrera, 1996) focusing on distributional outcomes. They identified the Nordic welfare regime (plus the Netherlands and Belgium) where pre-distribution inequality is low and redistribution high on the one hand and the conservative, the liberal and the southern model typically combining higher market income inequality and less redistribution, on the other hand.

In a similar perspective, considering the relationship between wage inequality, service employment and public spending, in the late nineties, Iversen and Wren (1998) identified three policy routes: the Scandinavian route, combining high employment, high public expenditure, and low poverty; the Anglo-Saxon route, with high employment, low public expenditure, and high poverty; and the continental route, characterized by a constellation of low employment, high social expenditure, and low poverty. Based on these observations, they came to the conclusion that “... governments and nations confront a three-way choice, or ‘trilemma’, between budgetary restraint, income inequality and employment growth” (Iversen & Wren, 1998: 508). As evidenced by the previous discussion of the relationship between employment and poverty, on the inadequacy of the social minima and on the decrease of the poverty reducing capacity of social spending, while it seems possible to pursue two of these goals simultaneously, subsequent research has confirmed that it might have become difficult to achieve all three (Collado et al., 2019). Almost 25 years after Iversen and Wren’s social trilemma publication just about all rich welfare states combine, on the one hand, (almost) full employment (at least among the high skilled) and historical high social spending with, on the other hand, rising poverty among the low skilled (Cantillon, Goedemé & Hills, 2019).

In the second half of the 1990s, in trying to overcome difficult choices between spending, jobs and poverty, all hope was placed on employment-centered welfare reform and, more generally on ‘social investment strategies’. The impact of these strategies on poverty has been the subject of much scholarly discussion to which we have already referred. Providing an assessment of social investment policies is a task of crucial importance but has proven to be a challenging one (think of child care as part of social investment strategies the impact of which can only be assessed after many years, partly because the impact on the opportunities of children in poor households will only become apparent in later stages of children’s lives, partly because the investment in child care should be viewed as part of broader policy packages, e.g. in the sphere of social protection and employment)⁷. While it is difficult to empirically pinpoint the causes of rising poverty in recent decades (a trend that *preceded* the roll-out of social investment policies and therefore cannot be linked directly, or at least not exclusively, to it) it is certain that in many countries poverty has continued to rise among the working-age population, children and the low-educated despite the reorientation of the social policy paradigm. Conceptually, one can contrast a ‘high road’ to employment creation, based on training, education, and decent jobs, with a ‘low road’ to employment creation, pushing unemployed people into low-paid jobs or into inadequate benefit systems. The simultaneous increasing in-work poverty and poverty for work-poor households signals that in a number of rich countries the ‘low road’ dominated in recent decades. The question is whether this was inevitable: Would the high road have been possible and, if so, under what conditions? To answer this fundamental question social policy researchers must penetrate deeper into the third layer of the research pyramid.

⁷ This refers to the strongly debated crowding out hypothesis (see e.g. Vandenbroucke & Vleminckx, 2011).

2.3 About the impact of the structure of the postwar welfare state and the changing nature of needs

What do we know about the structural causes of disappointing poverty trends in rich welfare states? As a starting point for presenting research findings it is good to start from Atkinson's simple but thoughtful assertion in his latest book: "the welfare state and the expansion of transfers, the rising share of wages, the reduced concentration of personal wealth, and the reduced dispersion of wages are candidate explanations for the period of falling European income inequality while the main reason that equalization came to an end appears to be ... that these factors have gone to the reverse or come to an end." (Atkinson, 2017: 75). This list referring to the basic architecture of the post-war welfare state provides a good summary of the factors that social policy research has identified as structural causes of disappointing poverty trends.

At a systemic level, although there were wide variations, in many countries three major mechanisms were found to be crucial (Atkinson, 2017; Cantillon & Vandenbroucke, 2014; Nolan, 2018; Cantillon, Goedemé & Hills, 2019). *First*, postwar full employment for men evolved to a dual labour market in which full employment for the higher-skilled men and women goes together with structural underemployment for low skilled men and women. Even in the best years of the active welfare state and in the best performing countries, the activity rate among the low-skilled remained well below 60%, leaving 40% of them structurally behind. This has to do with the so-called polarization of jobs but also with what skills are required within occupations (Nolan, 2018). *Second*, because of shifting demands for labour toward higher-skilled and higher wage occupations, since the 90's of the past century, in many countries low wages began to lag behind productivity growth and median incomes. As a result also of unemployment in low skilled household, low wages became increasingly less protective against in-work poverty, especially among lone parent families with children (Marx & Nolan, 2012; Halleröd et al., 2015). *Third*, declining or sluggish growth in earnings for low-wage workers and work-related welfare reforms created downward pressure on the levels of minimum income protection for jobless households. Minimum wages serve as a 'glass ceiling' to the social floor of the welfare state, for reasons of both equity and efficiency. When the wage floor drops below the poverty line, so does social protection (Cantillon et al., 2020). More generally, despite wide variations, a weakening of the poverty-reducing capacity of social spending has been a common experience in rich welfare states. Fleckenstein, Saunders and Seeleib-Kaiser (2011) pointed to functional underpinnings - the changed skill requirements of de-industrialized economies and changing family structures - for the evaporation of comprehensive unemployment protection on the one hand and the expansion of family policies on the other.

Much of social policy research is concerned with the assessment of individual measures and practices to accommodate the new context, for example through activation, in-work benefits, more effective social assistance, etc. This work is very important and has provided many useful insights. But, with the aim of framing productive responses, more fundamental reflections on deeper and forward looking questions are needed: To what extent are disappointing poverty trends linked with macro-economic policies? How can the wage floor

be raised⁸? How can the poverty reducing capacity of social spending be increased? How can jobs be created for people with a low level of education? How can adequate social floors be guaranteed without creating unemployment traps? Is a focus on affordability (services) rather than adequacy (income protection) part of the answer?

Of course, such fundamental questions place great challenges for research, theoretically and empirically. It is therefore no coincidence that few publications penetrate this fundamental layer of questions. There is also far too little attention paid to fundamental issues relating to poverty policy in the light of future developments, most notably climate transition. In the introduction of a special issue on climate change of the *Journal of European Social Policy* the editors wrote: "... the linkages between these two issues – climate change and its policy corollaries, and the 'traditional' domain of social policies – seem to us so strong and salient that they should be aired in a social policy journal" (Gough et al., 2008). Unfortunately, few studies have subsequently appeared in the journal on the relationship between poverty and climate policy⁹.

In the issues of the *Journal of European Social Policy* of the last 20 years there are also only few papers dealing with anti-poverty strategies in the broader macro-economic context. In a seldom cited paper Mayes (2002) assessed for example whether macroeconomic developments in Europe would assist the reduction of social exclusion under EMU. Mayes concluded that the objectives of the Lisbon Council would be difficult to meet and he was proved right. He predicted that rapid structural change would have adverse asymmetric effects on average and regional unemployment and that increased public spending would have disincentive effects echoing the above mentioned Iversen and Wren's social trilemma. He concluded that combating exclusion needs to focus on building 'capabilities' to participate in society and economic activity. But here his prediction did not (yet?) come true: the "social investment turn" that had exactly that in mind also failed: Was this due to a flawed implementation of the new paradigm? Is it simply too early to tell? Or were disappointing poverty trends the result of structural obstacles (for instance, as previously discussed, limits on the extent to which class mobility can be equalized, downward pressures on low wages or unemployment of low skilled workers)?

Favouring the least advantaged should be the priority of social policy, for ethical reasons and also because poverty has adverse consequences for the people affected and societies as a whole (see e.g. Wilkinson and Pickett, 2010). The sobering conclusions of social policy research on poverty discussed in this chapter raises therefore fundamental questions: Which transformations of political economies are needed, if any (see for a critical account Nolan, 2018)? Which alternative policy orientations beyond the strategies deployed today are conceivable (for instance a partial basic income, support for social entrepreneurship, wealth taxation ...)? What should and could be the role of Europe? These questions should feature prominently on the social policy research agenda of the future.

⁸ See interesting reflections on this in Nolan, 2018.

⁹ See for interesting work e.g. Lévy, Van Hille, Goedemé and Verbist, 2020.

3 Conclusion

Social policy research on poverty has made great progress in terms of conceptualization and measurement (Atkinson, 2002). Central conclusions from research are that a) social policies, if well designed, are decisive in preventing and alleviating poverty; b) some countries and welfare regimes are structurally better equipped than others; c) the paradigmatic 'social investment turn' and associated work-related welfare reforms could not prevent poverty to increase among the working-age, less educated, and workless families throughout. This sobering conclusion raises three fundamental issues.

First, are the disappointing poverty trends similar when social progress is assessed from a *multidimensional* perspective? Scholarship on poverty and policies has, after all, an overwhelmingly one-sided focus on inequalities in income and wealth.

Second, to what extent is the rise of poverty among the working age population *systemic*, that is a) consistent with the basic characteristics of the postwar national welfare state and b) encompassing the organization of the welfare state as a whole? Social policy research suggests that the fairly universal experience of rising income poverty among the working-age population accompanied by growing inequalities may *not (only) be the result of failing social policy intervention here and there*.

Third, is there a need to consider *alternative policy orientations beyond the strategies deployed today* and what form should or could these strategies take against the backdrop of aging, digitalization and climate transition? Here, questions arise, for example, about the potential of a basic income to lift the social floor or about the role of Europe in strengthening the poverty reducing capacity of national welfare states, e.g. through regulations about minimum wages.

Whereas social policy research in the past could limit itself to studying the impact of individual policies in order to come to recommendations on best practices, now more systemic, forward-looking and problem-solving approaches are needed. To that end, social policy research should take a wider time, scale and space perspective, looking not only at individual policies but also at bundles of policies, how these bundles are tied to the architecture of welfare states, how welfare states interact with each other and how they respond to changing social, economic and ecological needs. The role of Europe should also appear more prominently on the research agenda.

To a large extent, social policy research remains stuck in the upper reaches of the analytical research pyramid which we proposed in the first section of this contribution. No matter how important it is to understand the impact of individual policies, against the backdrop of decades of failure in making progress in the fight against poverty and inequality, with the view on the major economic, demographic and ecological changes that lie ahead of us, it must be our ambition to penetrate further to the functioning of the welfare state in order to understand the arguably structural nature of unsolved poverty problems. Only then will we be able to understand the non-fulfilment on the mission of the welfare state, to identify promising new policy practices and to study alternatives.

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