



# **Comments on Matteo Jessoula ‘The political economy of minimum income schemes: Evidence from 7 European countries’**

**by Ive Marx**

**Workshop: “Changing life opportunities under illiberal rule: drivers of social structural change in Hungary”  
Budapest 6-7 July 2023**



**Great work!**



# Some complementary insights from a cautiously optimistic structuralist



## First some good news

- It has (finally) dawned on policy makers that jobs are not enough
- Nor is social “investment” the new Holy Grail
- Great recession, COVID19 brought home: adequate income support matters, *big time*



## 2017 EU launches new “Pillar Of Social Rights”

- Social Pillar Principles 11-15 state need for adequate child benefits, unemployment benefits, minimum benefits and pensions
- 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.”



## Social safety nets are spreading!

- Most rich countries now have safety nets of last resort: means (and sometimes asset)-tested cash benefits to ensure a minimal living standard.
- Italy, Spain and Greece (hard hit by the financial crisis, then COVID) introduced these as national schemes very recently
- Benefit levels and eligibility laid down in law but also discretion
- And not unconditional: people are required to look for work and to accept jobs; they are made to sign contracts to that effect

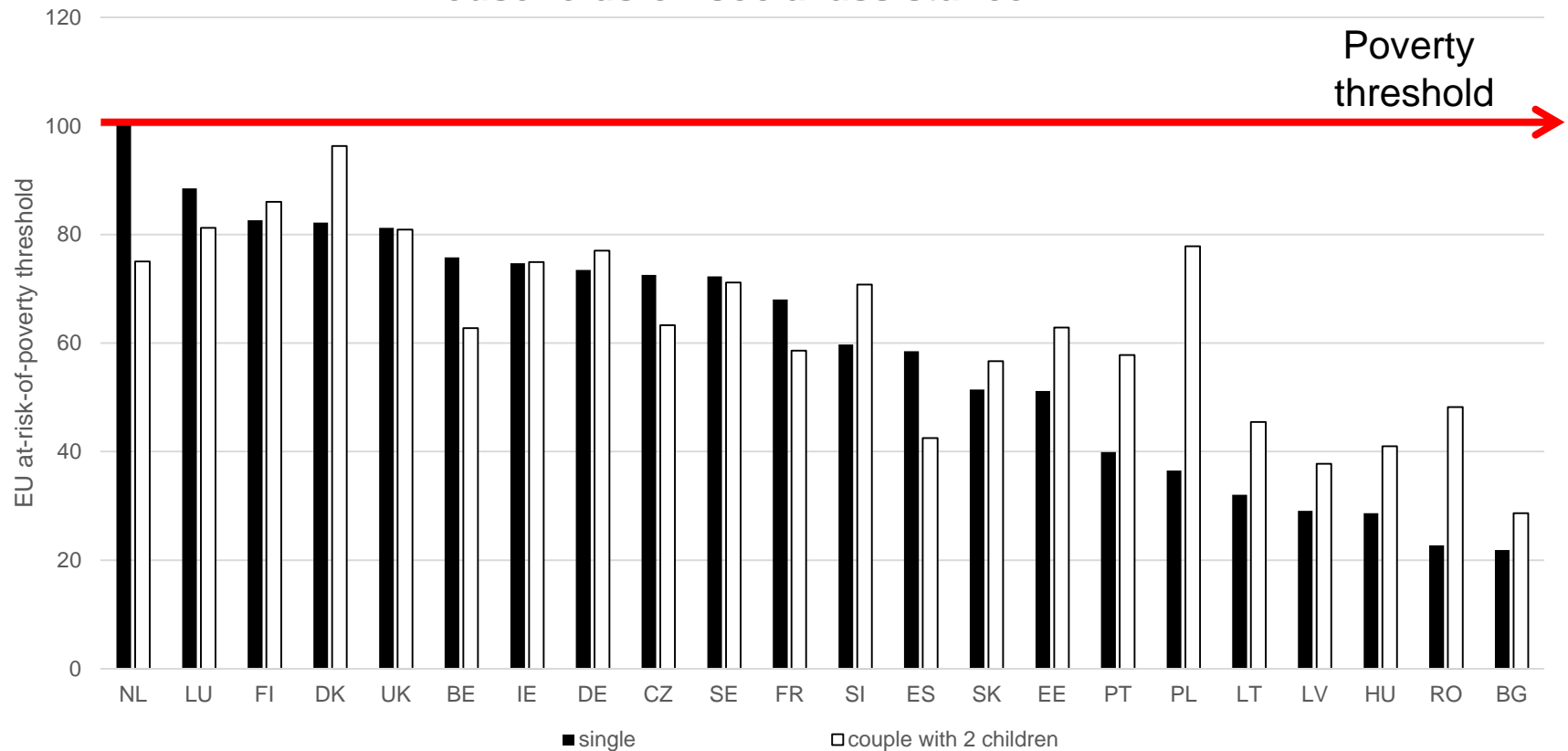


# Now for some less good news



# Guaranteed minimum incomes still fall *well* short of EU's own poverty threshold!

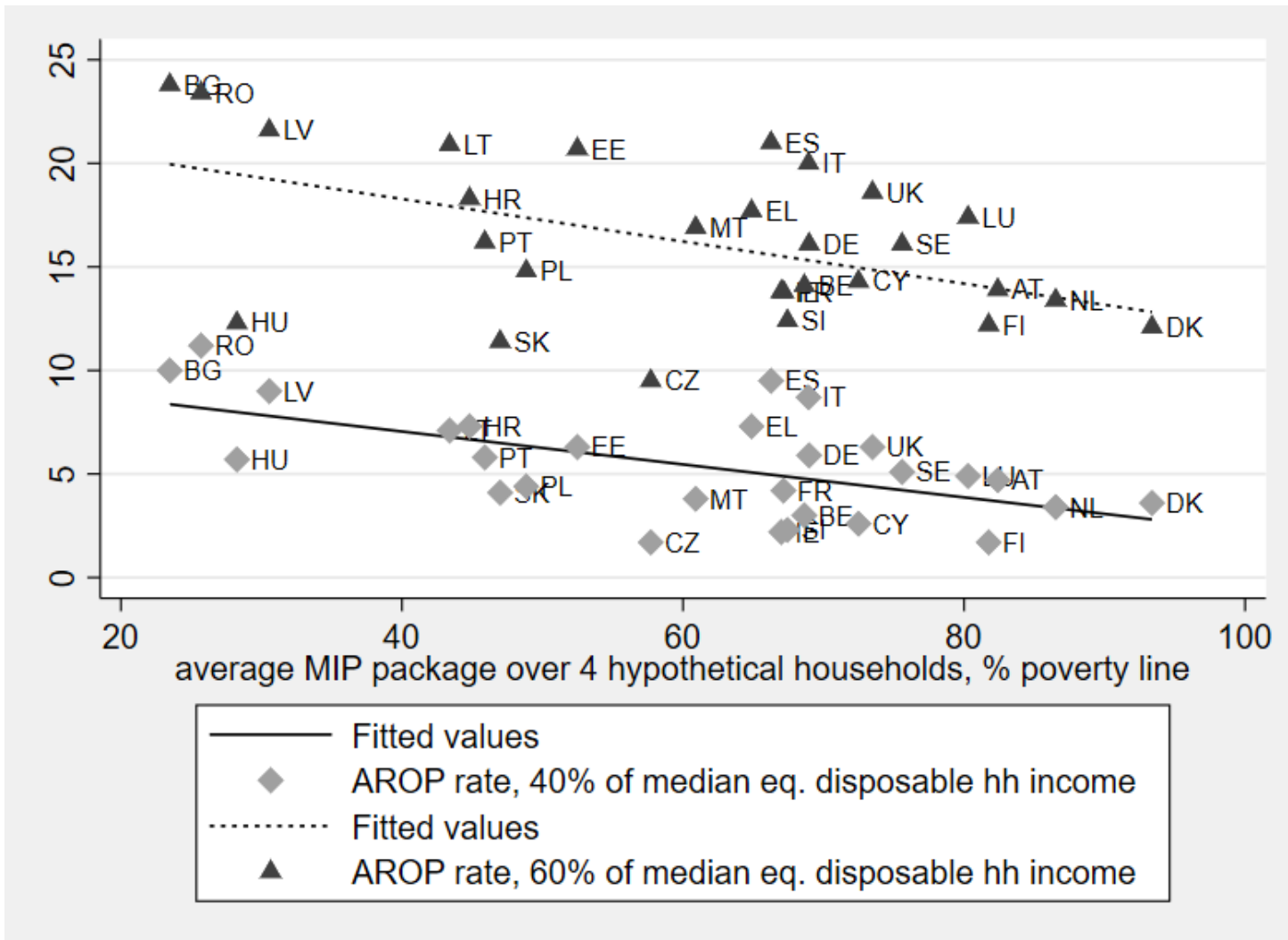
Net disposable income relative to poverty threshold  
Households on social assistance



Source: MIPI/HHoT estimates, see Marchal et al. (forthcoming)



# Still, MIS matters for poverty outcomes





## Why is minimum income protection so inadequate?

- Hyp 1. Politicians are cynics (Matteo puts it more politely)
- Hyp 2. There are more fundamental constraints

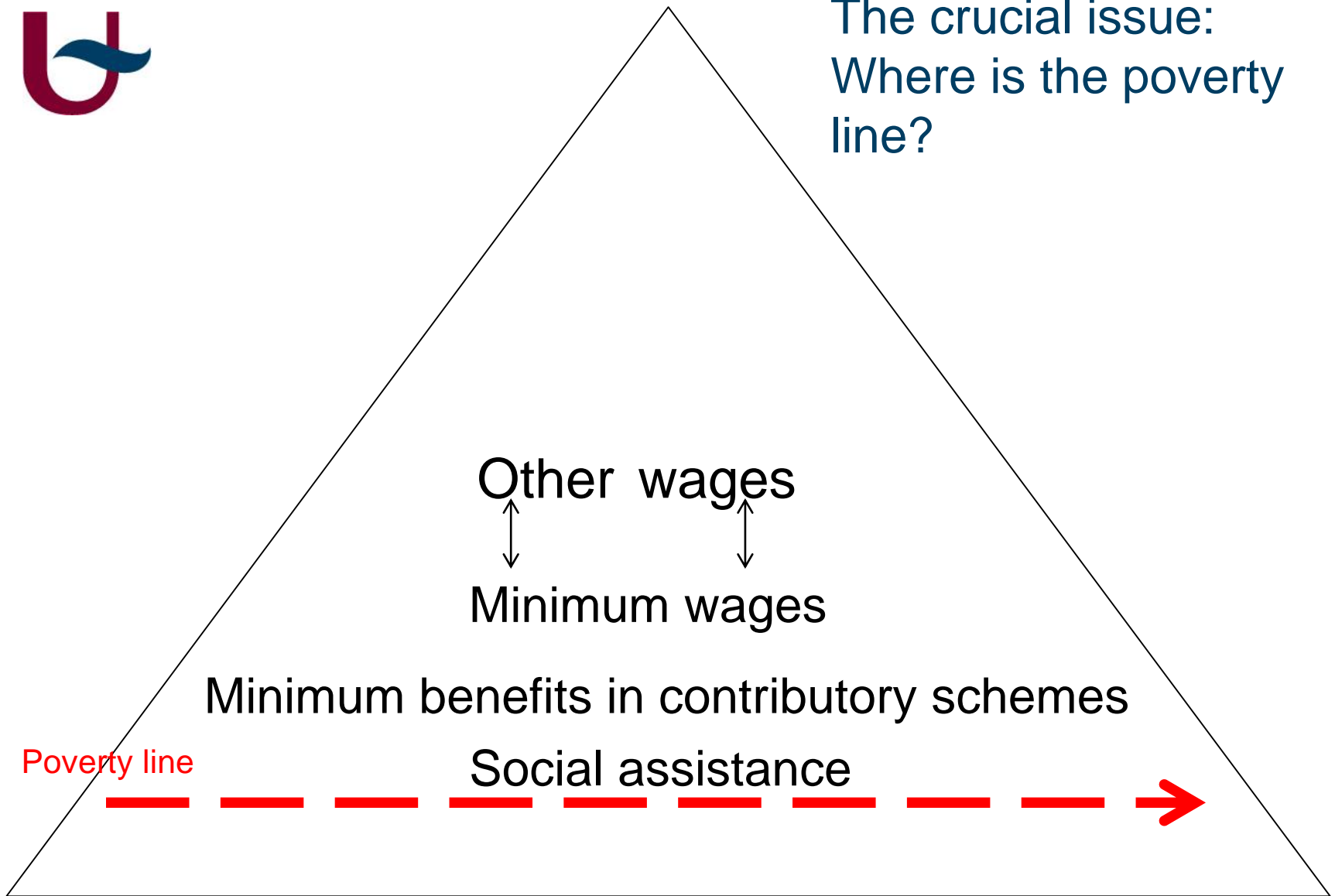


# The incomes hierarchy



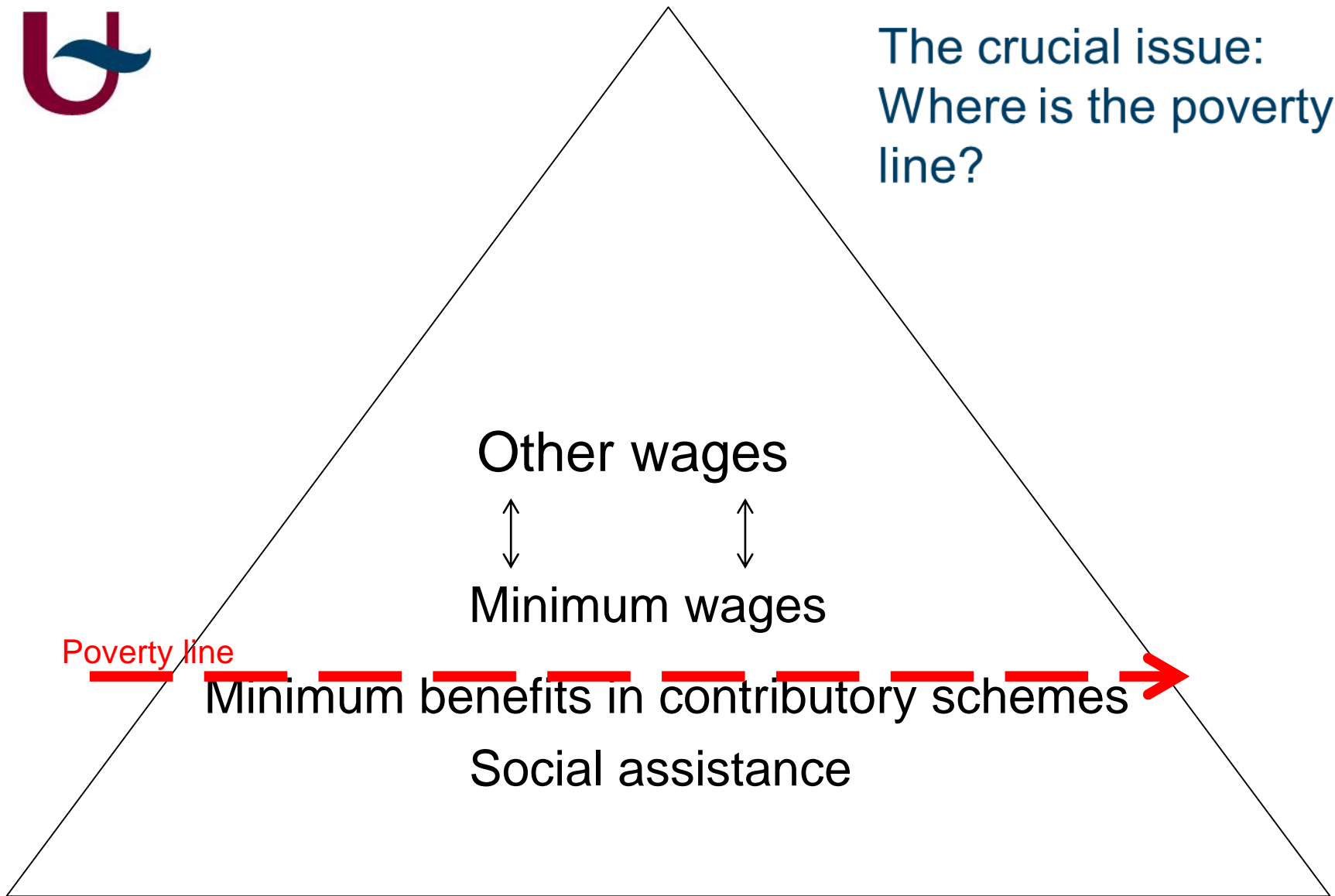


The crucial issue:  
Where is the poverty  
line?



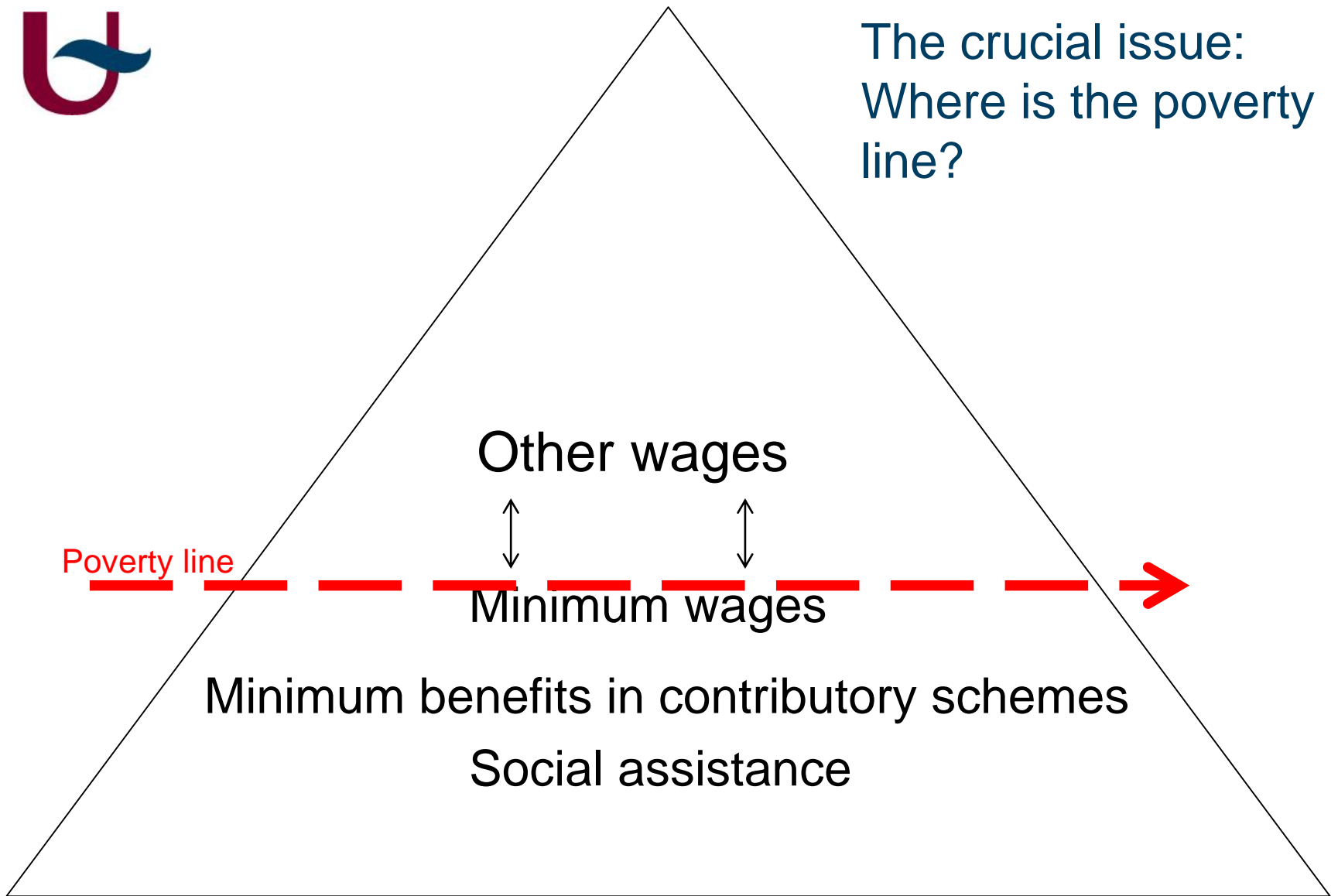


The crucial issue:  
Where is the poverty  
line?



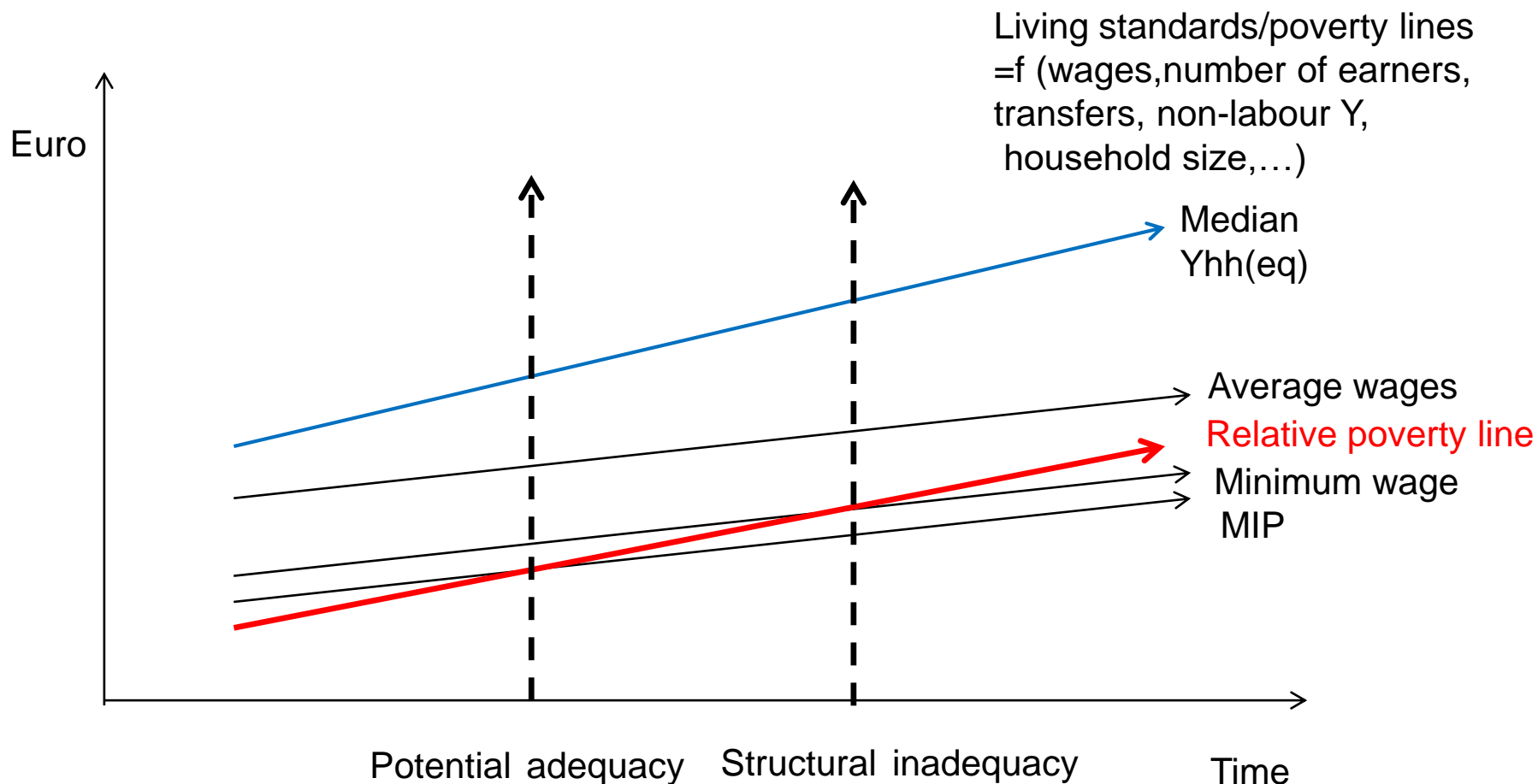


The crucial issue:  
Where is the poverty  
line?





## Adequacy inherently difficult to maintain when living standards outpace wage growth...







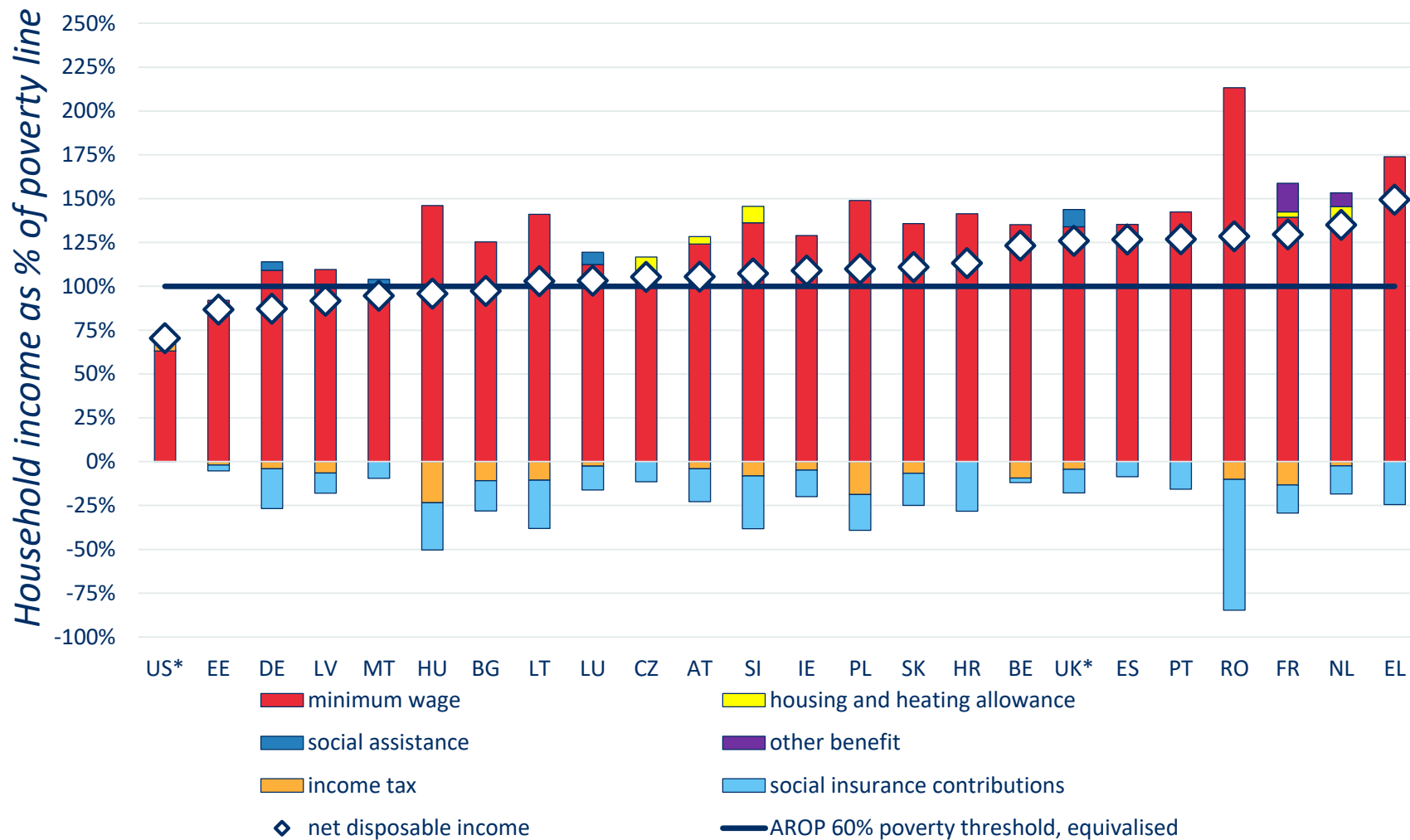






**The situation is not as bleak as  
you may think**

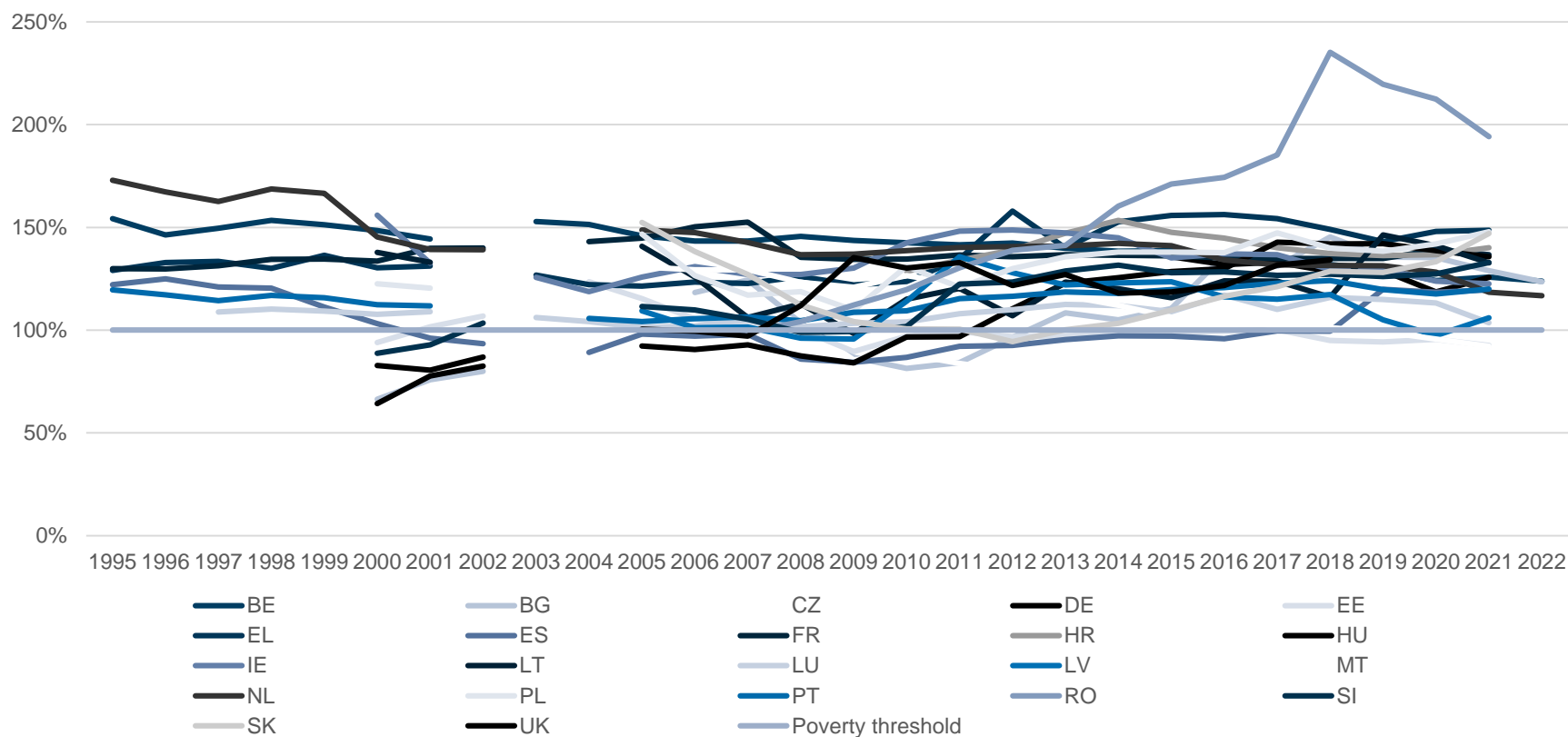
## Single person, working for the minimum wage





# Minimum wages relative to the poverty line,

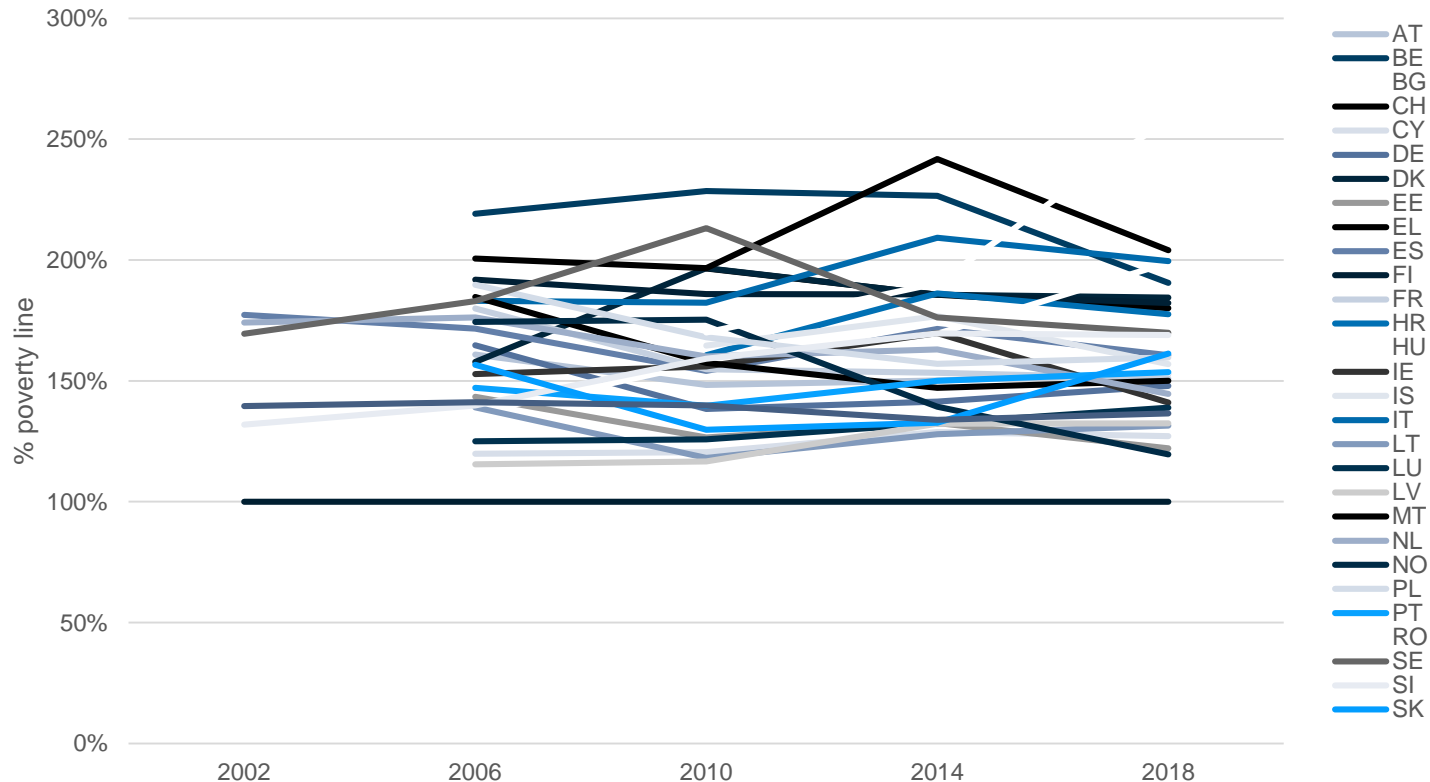
Minimum wages relative to poverty line, 1995-2022 (all countries)





# Low wages (P10) relative to poverty line

Low wages (P10) relative to poverty line, 2002-2018 (all countries)





**But true, wage floors are stil too low in many places**

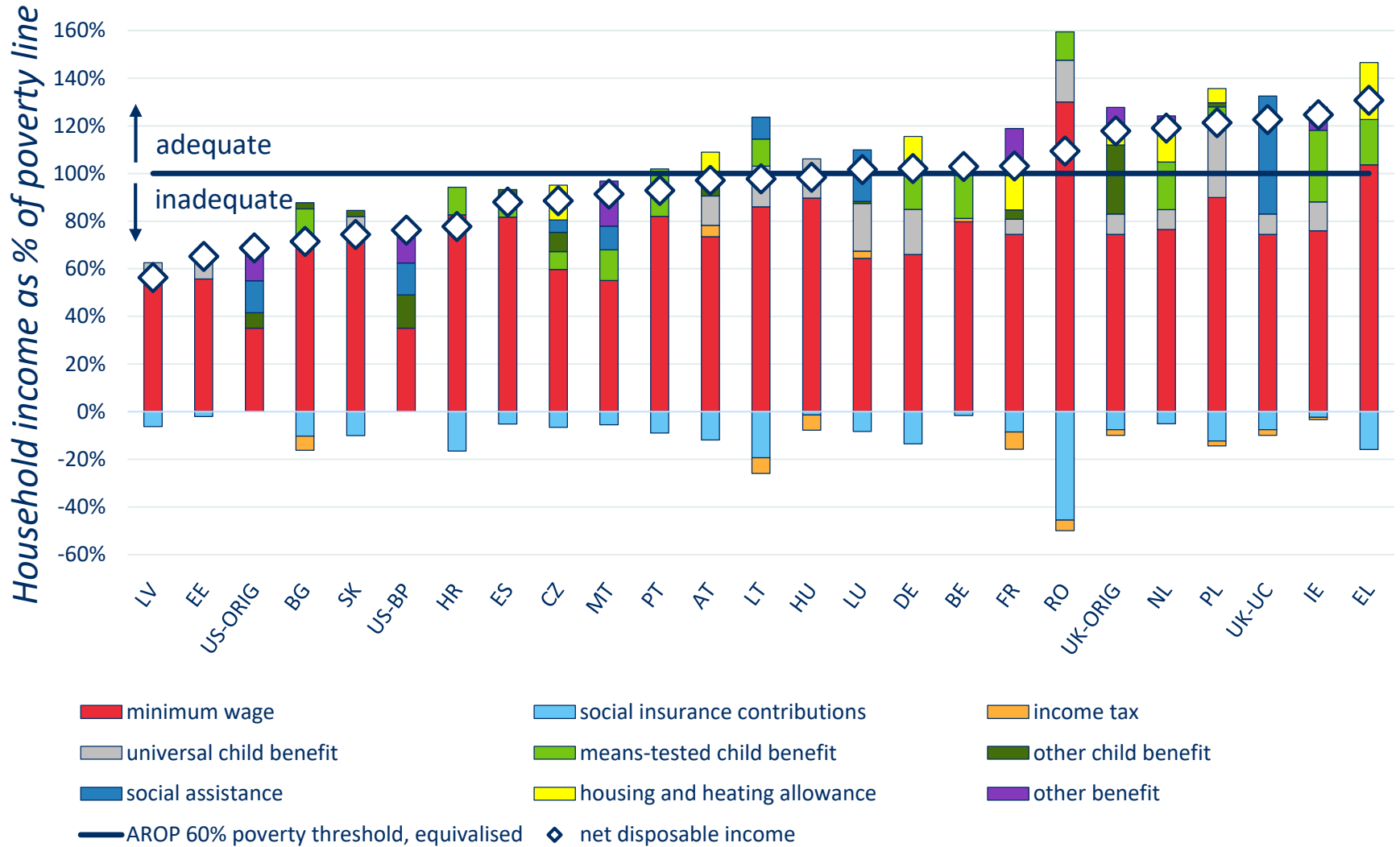


# Yet there are alternative ways of boosting wage floors

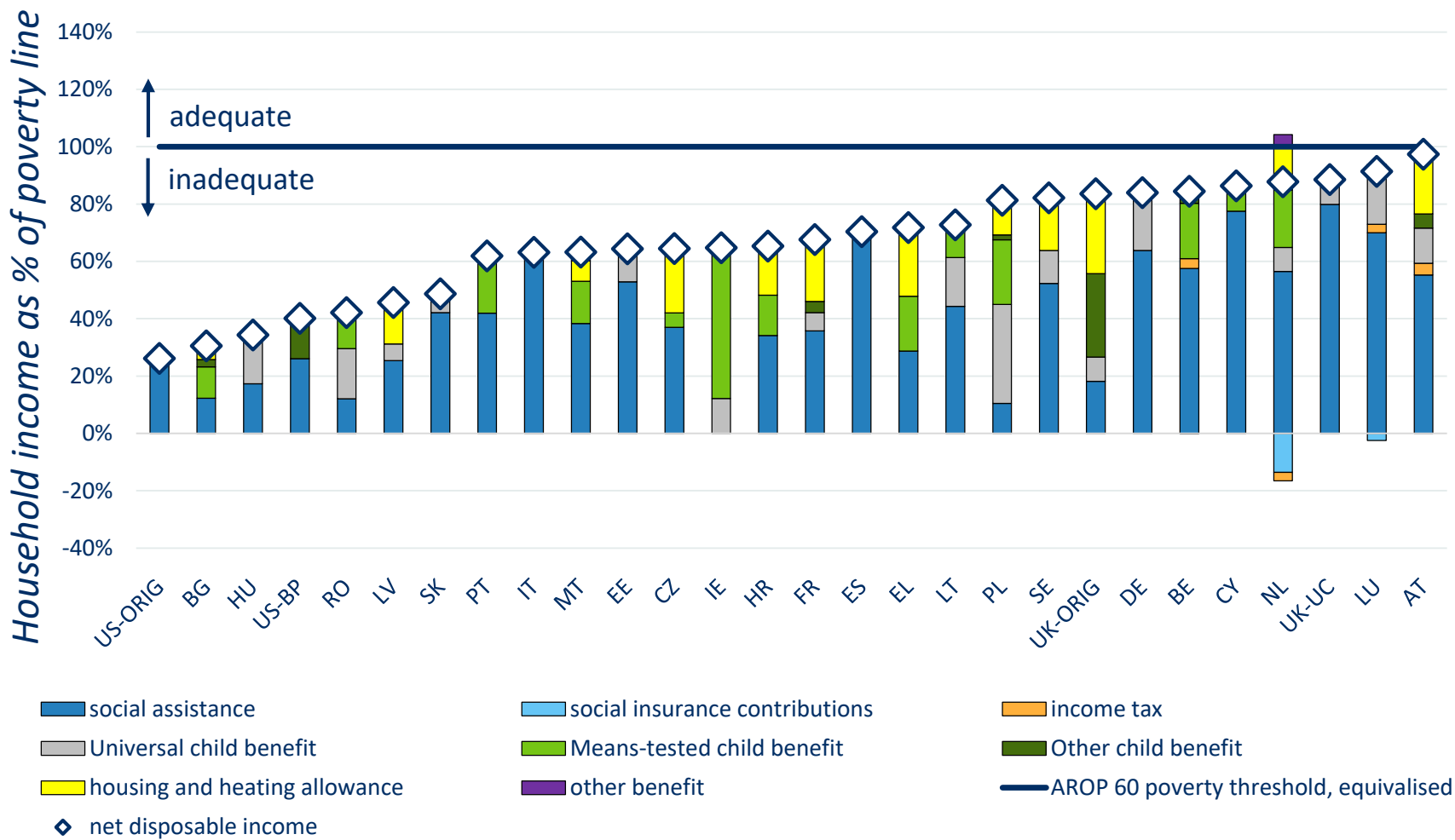
And thus creating scope for more adequate out of work benefits..



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



## Single parent, two children, receiving social assistance





## A simple recipe for (more) adequate MIP

- Push up wage floors (EU's MWD important step!)
- Have (quasi-)universal child benefits as a first layer of direct income support
- Have a legally anchored, adequate, accessible social safety net – and don't obsess about control
- Have targeted (but less tapered) income supports of various kinds, especially differentiated by housing situation, children's needs



**More in...**

***“Zero poverty society: Ensuring a  
Decent Income for All”***

Sarah Marchal and Ive Marx

Oxford University Press, 2023

Universiteit Antwerpen