

# SETTING ADEQUACY STANDARDS

How governments define  
minimum incomes

John Veit-Wilson



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# Acknowledgements

This research project originated in a suggestion made to me in 1991 by Sir Peter Barclay, at that time Chairman of the Social Security Advisory Committee, that as the UK government did not have a standard by which to measure the adequacy of its income maintenance programmes it would be helpful to policy makers in the UK to find out how other countries manage to do so. I want to thank him again for the idea, and thank the two foundations whose financial support made the research possible, the Nuffield Foundation which supported the pilot study in Norway and Sweden in November 1992, and the Joseph Rowntree Foundation which financed the main part of the project to study eight other countries during 1993-95. The project benefited greatly from the support and advice given by Derek Williams of JRF.

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of material in languages strange to me, and any disregard of good advice, are entirely my own responsibility.

**Dedication**

To Dr Harriett C. Wilson, whose lifelong concern about family poverty and initiative in 1965 led to the foundation of the Child Poverty Action Group.

# Summary

## What are governmental MIS?

The acronym MIS used throughout this report stands for the Minimum Income Standards, whether singular or plural, which national governments use to reflect their political view of minimal income adequacy. MIS are used for various purposes but chiefly in making policy for income maintenance systems. Income maintenance and its components are described in Appendix A (p 125) – they include minimum wage rates; tax thresholds; universal and contributory social security provisions such as pensions; and residual means-tested social assistance benefits.

A standard is an abstraction, a set of qualities for making a judgement. In this case, the judgement is the adequacy of incomes to meet some minimally decent level of living. A criterion of adequacy cannot exist without arguable justification. The administrative construct or instrument in which the standard is embodied may have other functions. The UK has an instrument (Income Support) whose adequacy no government has ever been able to demonstrate. Some other countries have methods of arriving at their standards by varying justifications and embodying them in differing instruments. This report uses the term MIS to mean *arguable standards embodied in administrative instruments or other constructs*, and aims to explain them.

## The difference between poverty measures and governmental MIS

The report emphasises the fundamental difference between poverty measures and MIS, and distinguishes both of them from minimum income maintenance benefits such as social assistance:

- poverty measures are the findings of social *science* research about the minimum income levels at which whole populations show or state they can live adequately, whatever the political implications of the findings;
- MIS are *political* criteria of adequacy, whatever the findings of social science research;

## Setting adequacy standards

- social assistance is based on *political* decisions on how much governments are prepared to pay.

A government's political and administrative objectives in using MIS are not the same as the goal of social science research, which is to reveal the state of current knowledge about poverty using methods which are testable, replicable and refutable. While the status of social science research may be arguable, its findings about the boundaries between poverty and adequate incomes (and other resources) are more reliable objective measures of the social experience of poverty and its boundaries than subjective political opinions can ever be. This remains so even if the political MIS or "poverty-tested" (Eardley et al, 1996, pp 2-3) minimum income benefit levels such as social assistance are often called *de facto* or 'official poverty lines'. *Minimum income standards and benefits may reflect official views about poverty, but they are not scientific facts about it.*

## Discourses of poverty

Discussion of poverty is confused by the disparate and often conflicting ways of thinking and talking about it, used by those with power to decide the 'right' way of talking about the subject. The technical term for these packages of values, ideas, technical languages and power is *discourses*. Seven distinct discourses of poverty were found in general use, but some referred to poverty as if it were a political decision not a social fact:

- deviations from **the average level of living** (but without searching for the income levels at which they become intolerable);
- **statistical inequality** (but without discovery at what point on the distribution of incomes this becomes intolerable);
- **social exclusion** (but without being able to define what income level causes it);
- concepts drawn from **economic theory** (but without consideration of how far they relate to people's own social measures of minimally adequate incomes).

Some of these discourses also affected a government's choice of MIS. But none of these four approaches addressed the question of where the poverty boundaries are, in the social science sense.

## The types of governmental MIS

Four principal types of MIS were found in the ten countries studied:

- statutory minimum wage provisions;
- minimum state pension levels achieved by political consensus;
- empirical measures of low levels of living such as attitudinal poverty lines, surveys of low earners' consumption, or budgets constructed on modest conventional lines;
- statistical constructs relating to incomes or expenditures, such as average weekly earnings or food costs.

## The bases of governmental MIS

The approaches chosen by governments reflected their various conventional values, discourses and assumptions about:

- **stratification:** whether the MIS were to reflect adequate incomes for *all* citizens throughout society, or only for lower-status people;
- **minimum wage** or **social security/social assistance:** whether the MIS were to relate to people's *normal* expected income source, or only to the state's responsibility for *residual* income maintenance in the absence of earnings;
- whether MIS policy makers thought about minimum levels of living in terms of:
  - their composition and costs (**budget** standards);
  - political or popular consensus about minimum tolerable levels (**attitudinal** standards); or
  - relationships to some other indicator of level of living (**statistical** standards).

## The variety of governmental MIS and their uses

Some countries used more than one MIS for different income maintenance purposes, and some were changing their MIS at the time of the research visit. These factors were sometimes found in combination. The MIS in use were not all 'official' in the sense that the national governments sponsored the construct in which they were embodied. Some were maintained as

minimum income measures by non-governmental organisations (such as university research institutes) but recognised as valid by their governments who used them more or less publicly for various purposes. Depending on national assumptions about the basis of the MIS, these uses included:

- **guidelines**, for setting various income maintenance measures as proportions of the MIS;
- **criteria** of the adequacy of the various income maintenance measures;
- **measures** of inadequate income, for:
  - **identifying** population groups in 'poverty' by this measure;
  - **counting** the poor (defined for this purpose as having incomes at or below the MIS);
  - **calculating** how deeply they fell below the MIS.

## **Conclusion**

The European Commission recommended in 1992 that all Member States should set MIS (EC, 1992). In spite of this, the UK and some other EU countries currently have no MIS. In principle, the most solid and justifiable foundation for MIS is scientific evidence about inadequate incomes and poverty boundaries. But the findings of social science are often complicated and no more than statistically probable, and they are therefore incompatible with the objectives of governments and administrative organisations which want simple and exact measures. Governments therefore have to devise separate politically viable instruments to embody their MIS.

Evidence from other countries shows that MIS are feasible. If they are to be politically credible, desirable attributes are public acceptability, methodological defensibility and administrative feasibility (Citro and Michael, 1995). There are several approaches which could be fruitful for government use, including methods based on existing official statistical information, backed up by social survey data on the relation between incomes, necessities and deprivations, and attitudes.

# Introduction: the scope and methods of the research project

## The governmental approach to minimum incomes

If a country's government accepts responsibility for the welfare of the inhabitants, it must ensure (among other things) that the income maintenance system provides benefits which are at least minimally adequate to live decent lives. But what do governments mean by the 'adequacy' of their minimum incomes? This report offers answers based on the findings of study visits to ten countries in 1992-94. The visits aimed to discover what their national governments used as their Minimum Income Standards (called MIS throughout this report) to reflect political views of the minimum incomes people need in order to live decently. The report defines MIS as:

**a political criterion of the adequacy of income levels for some given minimum real level of living, for a given period of time, of some section or all of the population, embodied in or symbolised by a formal administrative instrument or other construct.**

The findings are drawn not only from documentary sources but on recorded interviews with policy makers, using that term loosely to mean appointed government officials and advisers as well as elected politicians and, in some cases, researchers and academics. The aim was to discover how national governmental MIS were conceptualised, maintained and administered by those responsible within a country's income maintenance system. The scope of *income maintenance systems* is outlined in Appendix A (p 125); this report refers only to the narrower meaning which includes minimum wages, social security and assistance and tax thresholds.

The study's findings are of two kinds. One is that there are many ways of approaching MIS; there is no one standard method. The other, often

harder to assimilate because it runs counter to conventional beliefs in some countries, is that the ways in which ideas of poverty and minimum income standards are used in debate and policy making varies very greatly between, and sometimes within, countries. There was surprisingly little consistency in the ways in which people in different countries understood and approached the subject, and the approaches in some countries were diametrically opposed to those in others; some even rejected it as ‘uninteresting because they had no poverty’. Readers in other countries may find the focus puzzling because the research was intended to help British policy making, addressing what have been raised there as problems of social values and political practice even if these are not perceived as the ‘right’ questions in other countries. A Norwegian commentator remarked with surprise that the apparent British obsession with poverty and MIS made it sound as if the British do not trust their politicians to protect benefit levels without them. The only way of making sense of and explaining these differences seemed to be in terms of the sociological concept of disparate and conflicting *discourses*.

This second finding has such serious implications for understanding the first set of findings that two chapters of the report are devoted to explaining the problems: Chapter 2 distinguishes scientific discovery of minimum income needs from political prescriptions, and Chapter 3 reviews the problems of the ranges of standards and the ways in which they are discussed. Since the MIS findings in subsequent chapters are reported in terms of these issues, these chapters aim to provide an introduction to make the issues comprehensible (and can be omitted by those familiar with them).

## **National and local standards**

This report is about *national* government MIS. In many countries, parts of the income maintenance system, especially means-tested social assistance, are administered by one of the levels of local government varying greatly in population and powers. In federated countries such as Germany or the USA, they are the Länder or States. In other countries, they are referred to as province, county or commune. In many of these countries, the central government issues advice on MIS to the local government level, but the latter has some autonomy over the implementation of benefit levels. The study concentrated on what *governments with national power* could do for inhabitants by setting MIS.

## Standard or instrument?

What distinguishes MIS from an administrative instrument (such as a social assistance system's benefits) or an arbitrary statistic (such as half average incomes) is that the MIS embodies an idea of a *defensible standard of adequacy* for minimally acceptable levels of living or income needs. A standard is an abstraction but it has to be embodied in a practical instrument, just as the concept of a length is represented by marks on a tangible ruler. An instrument by itself does not necessarily imply an evaluation; a 12in or 30cm ruler does not imply that this is an adequate length for rulers or anything measured by them, nor that inches or centimetres are the 'correct' units to use in measuring. The study found that what the MIS instruments were, and what their other ostensible functions were, varied greatly between places and times. Any formal instrument may become identifiable as a MIS only if it embodies the specific abstract standard and is explicitly or tacitly used as a criterion of minimal income adequacy for some level of living.

An instrument must not be confused with the sources of its underlying standards. The study found that the most obvious formal instrument commonly associated with low income – a country's social assistance system – was often not used as the embodiment of the standard of minimal adequacy; rather, the social assistance rates were often related to the MIS but at lower levels. This is widely misunderstood; for instance, the title of Section XII of the annual guide to *Social protection in the Member States of the European Union* (MISSOC, 1996), "Guaranteeing sufficient resources", implies the European Commission Recommendation of 1992 requiring each member state to fix "the amount of *resources considered sufficient* to cover essential needs" (EC, 1992; emphasis added). 'Considered sufficient' by the state indicates the political authority for the judgement; it suggests a justifiable MIS. However, the benefits listed in MISSOC Section XII are mainly national or local forms of social assistance. The MISSOC data imply that these social assistance rates reflect each government's concept of 'minimally sufficient resources', its minimum standard. But this study found that the social assistance benefits were not themselves the instruments embodying MIS in any EU countries with a national standard (in Germany, the Federal recommendations were not the same as the actual local benefits). The comprehensive study of *Social assistance in [24] OECD countries* found very little evidence to support the idea that social assistance benefits were based on defensible national criteria of adequacy (Eardley et al, 1996, pp 101-6).

Instead, it was common for social assistance itself to be related to a different standard of minimal adequacy: for instance to the statutory minimum wage (in The Netherlands), to a minimum pension (in Norway

or Finland), to outdated budget constructs (in the USA) or to a pattern of working-class consumption (in Germany). It was consequently not uncommon for the social assistance benefits basic levels to be set lower than the *standard* of minimal adequacy. This was justified on the basis of beliefs about incentives or short dependency durations, though sometimes basic social assistance could be supplemented, raising it to or above the MIS level. *The point is that social assistance rates should not be confused or equated with governmental Minimum Income Standards.*

The existence of social assistance systems, however generous, is not evidence that they were based on criteria of adequacy for a specified level of living over a specified period of time. They may be intended only to support incomes, not meet all minimum needs. Similarly, historical studies of social assistance rate-setting in the UK (such as Bradshaw and Lynes, 1995 or Veit-Wilson, 1992; 1994b; 1997; forthcoming [a]) showed that respect for evidence of minimal adequacy played little if any part in the actual decisions taken.

At the time of writing in 1997 the UK has no MIS; indeed, its absence was the reason which led the Chair of the government's Social Security Advisory Committee to propose this study in 1991. The countries chosen for study were those in Europe which seemed to have MIS of some kind: Belgium, Finland, France, Germany, The Netherlands, Norway and Sweden. All were members of the EU or associated with it (Norway). Australia, New Zealand and the USA were also visited because they had MIS or were (re-)examining their forms or feasibility. Other European countries, even those with national social assistance schemes such as Denmark and Ireland, were reported not to have national MIS to underpin them at the time of the study.

## Limitations

The subject of what income and other resources are needed for a minimal level of living at which one can take a decent part in society is a massive one, but this report is limited to the subject of MIS. What affected the connections between the abstract standard, the instrument and its relationships with other aspects of income maintenance was generally a complicated matter, and a variety of social, political and administrative factors may add to those complications. A study of this kind cannot expect to disentangle and explain them all since they reach deep into the political and administrative culture and history of a country, a field far beyond the modest scope of this study. It does not aim to describe each country's governmental or income maintenance system, but touches only on aspects

which help to show how MIS were maintained. Many important political and administrative issues are thus omitted.

### **Comparability of available material**

The material collected about MIS in each country varied very considerably in both quality and quantity. It reflected the greatly varying extent to which policy makers in different countries recognised the low-income standards question at all or treated the issues surrounding MIS as salient matters for discussion among themselves. The prevailing dominant discourses of poverty and social policy set the context for study. For instance, the question of a *cash* minimum seemed to be of very little interest in France (where the policy focus was on unquantifiable social exclusion), but was of great interest in Germany (where social exclusion and stratification were widely taken for granted). The Norwegians disclaimed having any kind of MIS but argued a lot about adequacy in the context of *Folketrygden*, the ‘people’s social security’. The Finns had a pension structure similar to the Norwegians but very little interest in the scale of a minimum. The material reflected interactions between a country’s system and its social values, political practices, administrative systems, academic researches, dominant discourses and perhaps other factors all needing further study.

### **The MIS unit**

The report focuses simply on the MIS for the basic income unit in each country: an individual, a couple or a stereotypical family structure. It does not examine the status of that basic income unit or the *equivalence scales* (see Appendix B, p 127) which make it possible to compare the needs of the basic unit with households of other sizes and compositions. The words ‘family’ and ‘household’ have various and often inconsistent meanings in kinship, demography and administrative practice which are not relevant here. This report uses the term ‘household’ to refer to units eligible for income maintenance provisions which may be affected by MIS and which may consist of one or more individuals, whether or not they are related by kinship. Where the basic unit is not the individual, many countries’ MIS refer implicitly or explicitly to ‘the family’, often meaning a stereotypical household of a (married) couple with their (usually two or three) dependent children. Whatever the historical justifications for this stereotype, references in this report should not be taken to imply judgement about the contested concepts of a family or its wage.

The discussion of MIS here assumes that basic units are adjusted for variables such as other adults and children in the households according to the various equivalence scales currently in use in that country and for that purpose. This basic unit income has been called a *benchmark* or *datum line* in Australia and New Zealand, though these terms are not ideal metaphors since their literal meaning is unchanging constants for land surveying, while the MIS can be (and often is) changed as social standards and political values themselves change.

## **A note on presentation**

The report aims to present general information about types of MIS without ephemeral technical detail. For brevity, it omits many detailed references, especially if the material came from interviews or from unpublished sources not in English. Quoted material originally in other languages has generally been translated by the author, although well known non-English terms and acronyms have been left as they were. Since the whole study was carried out and the report written by the author alone, it inevitably reflects his interests, values and conclusions (and errors).

The introduction in Chapters 2 and 3 to the distinctions and conceptual issues draws on and incorporates material selectively from existing literatures on such wide-ranging topics as definitions and measures of poverty, political and administrative science, theories of social stratification, the structures of income maintenance systems and the nature of 'discourse'. The report cannot aim to provide a scholarly review of such extensive literatures; it uses them selectively and naively (Gluckman, 1964) simply as seemed relevant to illustrate or clarify the argument for those unfamiliar with the issues, the critical issue being whether the analysis is weakened if these concepts have been misapplied.

## **Research aims**

The research objective was clarity about *types of method*. Thus for similar reasons there is little quantitative information, either of benefit levels or of statistics. Cash sums in income maintenance systems are quickly out of date, and in any case may mislead readers in other countries unless converted to make realistic comparisons of similar levels of living possible.<sup>1</sup> The more important questions are whether and how the MIS in question was perceived as adequate at the time in that country, for what, by whom, and for whom. The report focuses on explaining how the MIS were conceived and implemented; it cannot answer detailed technical questions about the statistics of public expenditure or income distributions in the ten countries.

Statistics of 'poverty' (where they exist at all) can be understood only in terms of definitions which inevitably vary between purpose, measure, time and place. Meaningful comparisons require more careful examination and explanation than they usually get. Conventional international comparisons of poverty based on data on the distribution of household incomes or expenditures (such as those based on the data collected by the Luxembourg Income Study [LIS]) are not statistics of poverty but of inequalities which may only loosely, or not at all, be correlated with deprivations. This important point is discussed further below, since there is no reason in principle to accept that half the national average income is enough in any country or at any time to enable people to reach minimally adequate levels of living. It may be too little or more than enough, and the situation may change over time. In these respects this report focuses on a new subject, governmental Minimum Income Standards, and therefore differs fundamentally from those which aim to provide the latest information on poverty or income maintenance benefits, such as those mentioned above.

### **The distinction between poverty measures and MIS**

The report also differs from others on poverty-related topics in that it is not primarily concerned with the highly contested international debate over the many definitions and measures of poverty, even if it has to refer to fundamental issues (Chapter 2) to make sense of the findings. Its primary concern is the sources of the standards by which poverty or minimal adequacy are judged. Both poverty lines and MIS embody assumptions about the existence of measurable boundaries between what is adequate and what is too little, but the assumptions differ fundamentally in their sources and authority. Unlike many others, this report refers to poverty measures as meaning evidence from the findings of *scientific research methods* about the standards which are conventional among the population as a whole in that society, and about the levels of control over resources at which people can be found to be able to take a minimally acceptable part in social life or are poor in that society according to its verifiable standards. Throughout this report references to the scientific method (shortened to 'science') take it to be as described by Karl Popper in *The logic of scientific discovery* (1959), based on the replicability, testability and refutability of provisional hypotheses.<sup>2</sup> Social definitions of adequacy and poverty, and the necessary resources which correlate with them, can be discovered in this way, and would then not be matters of mere individual subjective opinion. As such, even if they are relative to place and time, these social standards and findings about the behaviour of the population as a whole

cannot and do not depend on prescriptions based on politicians' opinions on 'what the economy can bear' or the electorate's supposed willingness to pay taxes. Such an empirical poverty line should be like the earth's magnetic field: it is invisible but can be detected if one has the right instruments, and while science shows it varies from place to place and over time, its existence cannot be denied or affected on political grounds.

**Table 1: 'Poverty lines' and MIS**

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**'Poverty lines'** are best described as the income levels or bands which are statistically found most closely to approximate to the boundaries between:

- (a) high probability of correlation between high rates of complex socially defined deprivations and low incomes; and
- (b) low probability of correlation between incomes and deprivations.

Poverty lines are *scientific* measures of the minimum incomes individuals and households are discovered to need in order to take part in the society in which they live and to avoid what is defined as deprivation and exclusion in that society.

There are broadly two kinds:

(1) **empirical poverty lines**, based on statistical survey evidence

- (a) showing the minimum income levels at which people *in fact are able and do* take part decently in society and avoid deprivation, or
- (b) showing what the *population itself reports* would on average be just sufficient to 'make ends meet'.

(2) **prescriptive poverty lines**, based on experts' calculations of the minimum income which *ought* to be sufficient for minimally decent participation as socially defined *if* used according to the budgeted prescriptions based on evidence of prevailing adequate living patterns.

Scientific research into poverty boundaries reveals what that society's standards of adequacy are, irrespective of their political implications.

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**Governmental Minimum Income Standards (MIS)** are *political* criteria of the adequacy of income levels for some given minimum real level of living (for a given period of time or indefinitely, of some section or all of the population) embodied in or symbolised by a formal administrative instrument or other construct.

MIS are based on *political* considerations and there are several types, discussed in this report.

The standard of adequacy of MIS is primarily a *political* reflection of that government's values, ideology and electoral considerations.

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**Social assistance** and other minimum income benefits are based on *political* decisions about how much government is willing to pay to people in certain categories.

Though social assistance is by definition designed for the poor, its actual benefits may be demonstrably inadequate to meet minimum income or other needs for social participation. Not all the recipients of other minimum income benefits are categorised as poor, nor is government's aim necessarily to provide a sufficient income to combat poverty: it may be to help people maintain their previous levels of living, or to support their own efforts to get out of poverty.

The standard of adequacy of minimum **income maintenance** benefits is primarily a political consideration of feasibility and costs

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By contrast, MIS are clearly based on the *political* judgements made by those who hold power about values, expediency and acceptability, such as what ought to be enough and what the political and economic consequences might be. In addition, the actual levels of income maintenance provisions such as social assistance are no more than political decisions on what to pay based on current expediency. The assumptions in this study about this distinction are summarised in Table 1.

The reasons for this fundamental distinction are explained in Chapter 2, but it is emphasised here because the starting point for the study was the discrepancy between the repeated claims of British politicians and officials about the adequacy of income maintenance provisions and the findings of a large and long-standing body of social research into the realities of poverty in the UK (see, for example, Moore, 1989; DSS, 1989; Gordon and Pantazis, 1997). This was evidently based on conflicting notions about the sources of authority for reliable findings or valid claims of adequacy. If such distinctions can be made at all, between the scientific authority of the research findings and the political authority of the politicians' assertions, then they should be clarified. The validity of the report's findings does not depend only on this distinction between MIS and poverty measures, and if it creates difficulties for readers they should ignore it and read it as a report on whatever they care to call the standards described. Like any other claims about scientific method and findings, these too are open to testing, replication and refutation by better evidence or analysis, since the report aims to stimulate further debate about the sources of the standards of adequacy which should underpin the UK's income maintenance system.

### **Topicality of the material**

Research produces snapshots of a situation but practices may have changed by the time that the report is read. The report sets out in Chapter 4 what was found at the time the ten countries were visited; it does not claim to be a currently up-to-date account of the precise MIS provisions – and even if it were, it would soon become outdated. The MIS had recently changed in some countries such as Germany and New Zealand; in others, changes were planned. Instead, the report offers a review of a range of methods which were in use at various times in the last few years and are likely to be used for many more. In that sense, its lessons may have some lasting value.

### **Scope and structure of the report**

Since the findings depend crucially on the distinction between poverty measures and MIS and on understanding whose standards are being applied

to whom, and when, and in what broad terms poverty is perceived and discussed (the concepts of *stratification* and *discourse*), Chapters 2 and 3 refer to these issues as far as is necessary to make the findings comprehensible. Readers familiar with the issues can move on to the findings in Chapters 4–6, presented in terms of the types of MIS found in the ten countries and the assumptions and methods they were based on, rather than by country. It is easier to draw policy conclusions from the analysis of issues; the detail of each country's method can then be studied separately if needed. Reports on the various MIS methods which were being used in Norway and in Australia, New Zealand and the USA, are available separately as the project's working papers.

The precise form that the MIS took in each country and the uses to which it was put are described in Chapter 4. Chapter 5 considers what evidence there was about the adequacy of MIS for different levels of living, and the degree to which the standards were stratified or uniform for all members of society.

Chapters 6 and 7 look forward to the prospects and requirements for MIS, primarily in the UK but also elsewhere. The European Commission's recommendation that all Member States should set MIS (EC, 1992) is used as Chapter 6's opening consideration of the question whether the implementation of MIS is desirable, feasible and can achieve political credibility. To facilitate meaningful comparisons and constructive policy making, Chapter 6 distinguishes the variety of MIS found in the light of the different poverty discourses currently in use. The requirements of a MIS set out in the recent thorough and extensive review of the US Federal MIS (Citro and Michael, 1995) are then quoted in Chapter 7 to structure a concluding review of the opportunities for the establishment of a MIS in the UK.

## Notes

- 1 For instance by using *purchasing power parities* (PPPs) to compare the relative values of currencies in terms of what it costs to buy a typical 'shopping basket' of goods in each country, rather than by converting tourist or money market exchange rates.
- 2 Popper's views about the nature of science have also been contested, but this is not the place for further argument. Readers who have difficulty with the idea of testing and refuting assertions about 'how much is enough' for other people are invited to substitute their own method of reliably arriving at collective agreement on these issues.

# Poverty measures and governmental Minimum Income Standards

*In order to provide a foundation for concepts and terms used in the MIS findings, this chapter and the next clarify the bases of and differences between the two distinct types of measure, of poverty and of MIS, and review issues of stratification, purpose and discourse. They do not offer a review of the range of theories and definitions of these subjects. Those familiar with the issues may omit them.*

This chapter aims to clarify the distinction between measures of poverty and governmental Minimum Income Standards which emerged from the findings and which is a prerequisite for understanding them. It is based on one among several commonly used perspectives, but this report is not the place for a scholarly assessment of their disparate claims before arriving at tentative conclusions. The chapter should be read as a tool for a job; the existence of other tools is relevant only if this one is unfit for its purpose.

## What is poverty?

**‘Poverty’ can be said to exist in a given society when one or more persons do not attain a level of material well-being deemed to constitute a reasonable minimum by the standards of that society. (Ravallion, 1992, p 4; emphasis added)**

This concise definition of poverty (by an economist at the World Bank) directs attention to the *societal* origin of the criteria by which any level of living is judged to be a reasonable minimum. Before considering how *poverty* can be identified and measured and what *Minimum Income Standards* mean, we must understand ‘the standards of society’. Adam Smith referred in the 18th century to ‘the custom of the country’ as defining necessities.

But ‘society’ can also be used to mean two distinct sets of people: broadly, the national populations whose standards can be discovered using the research methods of the social sciences, or narrowly, as in England in the 19th century, the section of the population which exercises or has access to power in the widest sense, the upper-middle or ruling classes. Both of these meanings of ‘society’ continue to be widely used, but often without making it clear which one is operative; debates over poverty continue to be deeply divided by confusion between them.

Further, there are two entirely distinct approaches to expressing standards. One uses the survey research methods of the social sciences to *discover and describe* the minimum standards of any group, large or small. The other approach assumes that no further enquiry is needed because existing knowledge seeming plausible to the power holder can be used, knowledge drawn from a technical field (academic, administrative or political) or from taken-for-granted everyday ideas which *prescribe* what the standards ought to be, irrespective of whether the mass of the population holds them or not. These two approaches are called *empirical* (based on observation) and *normative* (based on prescription). Those who have social or political power (the narrow view of ‘society’) often act as if their particular prescriptions for minimum standards are the only right ones; their power has monopolised the debate.

This is a profoundly important distinction, often neglected in both the policy making and social science literature on the subject of setting the standards by which poverty can be defined. During the 1980s British government sources argued that all judgements were subjective, usually as a defence against critics of the inadequacy of social security provisions (DHSS, 1985b, 2.50; Moore, 1989; DSS, 1989, pp 3–4), while some scholars have claimed that no objective scientific approach to poverty definition is feasible (Hauser, 1995, p 4; Andress and Lipsmeier, 1995, p 47). Many power holders or researchers seem to take it for granted that their minimum standards need only be stated to be valid for society as a whole, commonly treating poverty definition and measurement as an unproblematic and value-neutral matter of hypothetical assertion – a percentile on the distribution of incomes, or the level of social assistance benefits. Such typical examples have no scientific status as poverty measures; they reflect nothing more than power holders’ or theoreticians’ subjective opinions, even when treated as valuable.

## The level of living

Poverty is a word used both for the condition – “an enforced lack of socially perceived necessities” (Mack and Lansley, 1985, p 39) – and for an important

cause: lack of resources, especially money, with which to buy them. It can be understood only in the context in which it arises: the *level of living* of the society as a whole within which poverty occurs: the whole multidimensional package of conditions, circumstances and activities which people experience in their lives, both material and intangible. It is a descriptive concept; it does not in itself imply standards to evaluate whether this is a good, bad or indifferent level.

Studies of the level of living identify what individual, collective and public resources people need in order to enjoy given levels of living. The demonstrable fact that in modern complex societies there is an enormous range of tangible and intangible resources which people require in order to meet their socially and personally defined needs does not detract from the fact that money to spend as they choose is among the most important and valued of these resources. Of course not all the means of achieving given levels of living are material, and most societies exclude some aspects from markets, on the grounds of moral values or politically because the resources should be distributed irrespective of people's ability to buy them.

To discover how any given society defines minimally decent participation is a matter for the research methods of the social sciences. Similarly, to discover at what levels of control over the various resources people are minimally able to meet social and physical needs and participate is also a matter for scientific research. Lack of sufficient means to achieve socially defined minimum participation standards of living, or the condition of failure to achieve them, or being prevented from achieving them, are often described as poverty, deprivation, exclusion, severe inequality, or similar terms.

The word 'poverty' is commonly used to describe some form of the deficit in control over any of the conventional resources required to support those standards of social participation in that level of living. The terms *poverty* and *deprivation* are often used loosely and inconsistently to describe this deficit, but they might productively be distinguished if 'deprivation' were used for the wider range of deficits, and 'poverty' kept more narrowly for those where the deprivation is of money, of purchasing power in a market distribution of resources, or of eligibility for cash benefits where money is required.<sup>1</sup>

Government studies have been carried out in several countries, starting with the Nordic countries in the 1960s and 1970s, to look at people's level of living in society as a whole and to map out the trends in the development of their complex living circumstances and experiences (publications in English comparing the levels of living of the Nordic countries include

Nordic Council, 1984; Vogel, 1991). The Nordic level of living studies were not concerned with the question of what the boundaries of tolerability of the various living conditions were, and who fell below them. They were not studies of the standards of poverty or deprivation as such, nor of the poor and deprived. In some other countries the focus of government interest has been less on the population as a whole than on what it has defined as 'problem groups' within the population. Here we may find studies of the old, the unemployed, single parents, social assistance claimants or the homeless, but again such studies as these have not aimed to discover what the society as a whole considers to be minimum standards for each of the components of the level of living. While the number of studies of societal minimum standards in different countries has grown during the 1990s, carried out mainly by academics and not by governments, there is as yet no substantial body of findings to which we can refer. By comparison with the large number of official and academic studies of the poor, deprived and excluded in different countries (for example, Øyen et al, 1996), there are still very few studies of what societies themselves define as poverty and deprivation, and these have tended to be academic (for example, Townsend, 1979; Mack and Lansley, 1985; Townsend and Gordon, 1993; Halleröd, 1995a; Andress et al, 1996; Kangas and Ritakallio, 1995; Nolan and Whelan, 1996; Gordon and Pantazis, 1997). There is no simple source of answers to the questions of what an adequate flow of resources would look like, or what an adequate income level might be (for a further discussion of adequacy see below and Veit-Wilson forthcoming [b]). But there is no shortage of public talk about poverty measures. A great number of definitions and measures of poverty have been developed over the past century, differing in many cases because people wanted them for different purposes (an introduction can be found in Berghman and Cantillon, 1993). This is no place for further lengthy analysis, but the following notes outline the fundamentals of social science approaches to poverty measures to distinguish them from MIS in subsequent chapters.

### **Poverty definitions, measures and 'lines'**

The assumption underpinning the scientific approach to poverty measures is that hypotheses can be reliably tested or refuted about the existence of socially defined standards of the minimum adequacy of resources (such as, how much is enough income here and now?) or of social participation (such as, what is the meaning of minimal decency in this society?) held by the majority of members of a society, and about the range of resources required to meet them. If standards and necessary resources can be

ascertained, the next scientific step is to search for the hypothetical boundary between sufficient resources to achieve the standards, and insufficient resources – the poverty level at which the minimum standards cannot be met. This puts such hypotheses on a fundamentally different qualitative basis, one that is indisputably more objective than individual or even collective subjective opinions about these matters, however powerfully held. Despite argument about the status of scientific methods, for the purposes of the kinds of social research under consideration this distinction is both valid and powerful.

Mack and Lansley's definition of poverty quoted above referred to "an enforced lack" where the enforcement results primarily from the lack of money, of power to buy the socially perceived necessities if one chooses to – though it could also result from exclusion from access to the means of earning money: for instance, because of discriminating social barriers based on such factors as ability, age, education, ethnicity, gender or race. While all of these also demand action, the focus here is income levels minimally required for a participatory level of living.

There are many ways of assessing achievement of minimally adequate levels of living. Some writers have argued for using *direct* measures of the actual components of the level of living and not just the indirect means (such as money) which act as proxies for the real level of living (Ringen, 1988). Others suggest that better cash indicators of achieved levels of living are outward flows of household expenditure and ownership of stocks of assets (McGregor and Borooah, 1992; Nolan and Whelan, 1996). Governments have the power to influence citizens' levels of living directly or indirectly in a great many different ways.<sup>2</sup> A concern with income questions does not exclude other social policy concerns which could affect the level of living (for a note on government power over income maintenance as a whole, see Appendix A, p 125).

The fact remains that the central issue for income maintenance policy is the adequacy of the discretionary income flowing in for a household to use to meet its needs for marketed goods, services and experiences. Given that "freedom to spend is part of essential freedom" (as William Beveridge put it in a letter to Seebohm Rowntree, 18 August 1942, Rowntree Archive SR/B6), it is justifiable to disregard output measures of individuals' or households' levels of living which may have their important roles elsewhere, and to focus on the minimum standards which governments use to affect the inputs of income which flow to people under their control.

The question for social science is whether it can discover and reliably test if (in any given country, society or social context) there is a boundary

or threshold of income (for any given household size and composition) above which the dominant defined adequate real level of living on average is achieved, and below which it is not. There are currently broadly three approaches using scientifically acceptable methods to discover if such a boundary exists and where it might lie in any given set of national circumstances. Two of these are empirical in the sense of approaching the income boundary by discovery; the third is a hybrid: prescriptive in the sense that, although using empirical material on the components to include in modelling levels of living, it makes judgements about where the minimum might lie, though these are testable and refutable in terms of the assumptions of the model level of living chosen. The next section outlines these three methodological approaches, since they are fundamental to understanding how poverty can be scientifically measured, and two of them are also used in setting MIS, in Belgium and Sweden.

### **Three scientific approaches to poverty research**

#### *The deprivation indicator approach*

This approach presumes that minimum standards are best explored by examining what people on average take to be the necessities of decent social life which nobody should be without (if they want them). Such identified necessities range across direct components of the level of living from material objects to intangible experiences. A lack would indicate deprivation; hence the name.

The population is surveyed to discover what a majority names as the social necessities which nobody should be without. Methodologists have argued how far the validity of these indicators depends on the size of majority identifying them (Mack and Lansley, 1985; Gordon and Pantazis, 1997; Halleröd, 1995a). Second, the survey discovers what proportion of the population has or lacks the key necessities at each income level, and whether any lack is by choice or enforced by insufficient income. Third, the research tests the findings for any statistical correlation between an individual's or household's enforced lack or possession of the socially defined necessities and their income levels. The object is to see if a threshold boundary of income can be found to correlate with increasing deprivation. If so, it reflects the minimum income at which *in practice* people are poor: it is a 'scientific poverty line'. It is essential to note that any statistical correlation found is purely a derivative of the survey findings; it has nothing to do with any individual or collective views about the income levels at which people could or should have the items. It is empirical and not prescriptive.

These empirical research methods have been used in the UK, Sweden, Finland and Germany and have produced findings about minimally adequate income boundaries as defined by society in general which are testable and refutable (some references were given above). Note that Townsend and Gordon's statistical findings (1993) were not of a hard *line* in cash terms between deprivation and adequacy, but that (for varying household sizes) there were *bands* of income above which there was no correlation between income and a small number of socially defined deprivations, and below which there was a high correlation between low income and the clustering of multiple deprivations and, further, that this correlation was not a matter of choice. "The rich do not choose the lifestyles associated with the lack of necessities" (Mack and Lansley, 1985, p 96) – they may claim an enforced lack of one or two social necessities but they do not suffer the multiple deprivations which people on low incomes are forced to endure. Contrary to common belief, the poverty boundary did not fall crudely between high or low incomes and deprivations, but between the high or low *probability* of income level being associated with multiple deprivations. Some allegedly enforced deprivations were found right across the income distribution, but only below the poverty boundary were they found clustered and highly correlated with low incomes.

The assumption of increasing affluence in modern western society has led some people to assume that expectations of minimum standards will inevitably rise, but observers in the eastern European countries during the 1990s have noted that realism about the social and economic conditions might in principle equally lead to a decline in expected minimum standards. Neither tendency can be taken for granted but must be surveyed, since deprivation indicators or correlations with incomes may each change.

### *The attitudinal approach*

This approach presumes that people are themselves the best judges of the minimum incomes they need in order to live decently and take part in the society in which they live. It takes society and its complex components of the various levels of living as they are and focuses only on minimally necessary incomes; income levels thus act as indirect proxies for the achieved level of living.

The research surveys the population to reveal attitudes towards two or three related questions about income levels. First, it asks respondents for their actual income levels and to estimate the minimum amount of net income on which their households 'could make ends meet'. This phrase is the English version of what has been used in surveys in different countries

(the approach was originally developed by economists at Leyden University in The Netherlands in the 1970s; see Van den Bosch, 1993, pp 11–13). The fact that the phrase is not precise about the degree of deprivation is taken as a virtue; it allows respondents to imply their own minimally tolerable threshold, whatever it may be. Words like ‘poverty’ or ‘deprivation’ which could prejudice responses are avoided (respondents may not wish to define themselves as poor). This measure was termed the ‘subjective poverty line’.

The second stage compares actual incomes with the estimated levels at which ‘ends can be met’, allowing for differences in household size and composition. The researchers’ assumption was that at low incomes respondents would give a desired household income level above their actual one, while at high incomes the reverse would apply. But the income levels at which on average respondents’ estimates of minimally acceptable incomes were equal to their actual incomes should be taken as the empirical attitudinal poverty line for that society (at that time and under those conditions). Changes in the cost of socially defined necessities could naturally alter the value of the conclusions.

The measure is based on the researchers’ judgement that the social meaning of poverty can be equated with only just being able to ‘make ends meet’, but the choice is hardly contentious. It resembles Abel-Smith’s earlier (untraced) distinction between what he saw as the three significant classes in British society: those whose incomes were higher than current consumption and could save; those who could only just make ends meet by equating income with culturally expected outgoings; and those whose incomes were lower than expected consumption and who either fell into debt or suffered deprivations. ‘Coping’, sometimes suggested as a border criterion, is too subjective a notion.

The Leyden researchers also surveyed the judgements respondents made about different household income levels. Respondents rated hypothetical income levels on a *semantic differential* scale as more or less sufficient for their actual needs (scoring 1 for very bad to 5 for very good). The researchers sought the level at which people rated their own household income as a little below sufficient and treated it, averaged and weighted for household size and composition, as another subjective indirect poverty measure (the ‘Leyden poverty line’). The number of points on the scale on which to measure this so-called ‘welfare function of income’ has varied in different surveys from five upwards and comparisons have therefore not always been easy.

Researchers at the University of Antwerp Centre for Social Policy (CSP) in Belgium developed another version by asking respondents to score their

current net incomes in terms of how well they could make ends meet. Allowing for methodological reservations about the meaning of ‘with difficulty’, they aimed to find an attitudinal boundary between minimal income adequacy and poverty. The CSP researchers took this to be justified at the level at which respondents expressed ‘some difficulty’ in making ends meet on their current household income levels, though whether this assumption was justified is another area for methodological debate (see Deleeck et al, 1992). This method formed the MIS in Belgium (see Chapter 4).

Attitudinal measures reveal the population’s current ideas of minimally acceptable incomes, but risk rapidly become outdated as household incomes or expenditure patterns change.

### *The budget approach*

The social science version of this approach is a hybrid between empirical and prescriptive methods of finding minimum income levels. Unlike wholly prescriptive budget methods using nutritional science but ignoring social science evidence of customary diets and consumption patterns, this approach is included as empirical because it avoids prescribing the minimum level of living. Instead, it shows the income levels at which a range of conventional life-styles could in theory be achieved, and leaves it to the user to prescribe what minimum level of living is acceptable. There are two common versions of the budget approach, one based on the household’s whole purchases, the other on only the most important core items, typically food and some other indispensable costs such as housing and utilities (fuel, power and water).

The core costs approach derives from the 19th-century German social statistician Ernst Engel, who pointed out that the proportion of household income spent on food declined as incomes rose, and concluded that the ‘food share’ of total household income was thus a good indicator of the relative level of living of a household in market society. These core cost budget approaches are thus often known as *Engel* or *food share* methods, though he did not use them for prescriptive purposes. To arrive at a MIS including the unbudgeted elements of a household’s total expenditure, social scientists typically multiply a calculation of minimum core costs by a factor reflecting the proportion of those core costs in the expenditure of the average household (for example, in the USA in the 1950s the average food share was one third of household incomes; hence the US poverty measure was composed by multiplying the cost of a minimum dietary by three to produce a hypothetical family income figure). Critics have argued there is

no necessary reason why the unbudgeted elements should bear the same relationship to core costs for the minimum as they do for the average.

Serious attempts to construct empirically based national budgets for MIS purposes during the 1990s included the Family Budget Unit's British studies and recommendations (summarised in Bradshaw, 1993), and the National Research Council's studies and recommendations for the US (Citro and Michael, 1995). The British study took the whole of household consumption as its target, while the US study concentrated on the core expenditures and included a further element for all the variety of discretionary expenditure items which it believed were not justifiably calculable. The aim of the British studies was to discover the costs of two levels of household budgets, one at a 'modest but adequate' level of living and one at a 'low cost' level. The US study explicitly aimed to reform the highly prescriptive 'Orshansky Poverty Line' (OPL) budget used in the USA since the 1960s and produce a defensible MIS for 'basic living needs' in the 1990s.

Sophisticated household budget studies have been carried out in other countries, in both Norway and Sweden by the government agencies for consumer affairs and in The Netherlands by an independent institute. The Swedish budget studies form the MIS (see below), and the Norwegian budgets were used to evaluate MIS adequacy. But none of these three institutions has composed household budgets in order to calculate minimally adequate incomes.

The difference between social science and prescriptive budget methods depends on how the components of the minimum level and their prices are composed. The prescriptive approach lays down what the minimum level of living should be (usually for 'the poor'), defines its components and the price to be paid for them. The social science approach studies evidence of how the population defines its minimum standards and surveys the conventional components of expenditure and their actual prices. The judgement of the boundary between adequacy and poverty is affected by the choice of standards and components used. In this sense the method is a hybrid, though the judgements themselves about the boundary are open to being tested and refuted by further evidence of their adequacy for meeting socially defined standards (see Bradshaw, 1993). The method may be valuable in *triangulation*, where the problem of discovering a minimally adequate income is approached using (say) three different methods to see how far their findings coincide.

## Standards of adequacy

The terms 'standards' and 'adequacy' are used freely and we now turn to examining their meanings in greater detail.

A *standard* is in itself nothing more than an abstraction. It is an expression referring to a set of qualities or criteria for evaluating or judging something else. In the case of minimum incomes, what is being judged is the *adequacy of income levels for achieving some specified minimal level of living*. What that specification is, and what the context of evaluation of the minimal level of living is, has to be arguable and justified in its social context. There cannot be a free-floating and universally acceptable criterion of 'adequacy'; it can be argued only in terms of answers to real-life questions such as *adequacy for what?*, *adequacy for how long?*, *adequacy for whom?* and *who says?* (Dubnoff, 1985, augmented to include the question on duration). The last question raises the issue of whose authority determines and validates what is to be the meaning of adequacy: power holders' authority or the authority which derives from the values and experience of the population as a whole, from Adam Smith's 'custom of the country'? Social research methods can be used to discover what the population as a whole regards as the answers to the first three questions, or power holders can arrogate to themselves the right to answer them, as they commonly do.

The questions of *adequacy for what* and *for how long* refer to the adequacy for a particular lifestyle of the level of living to be supported and the period of time over which such a level of living is tolerable. A low level of living which is tolerable or even enjoyable if freely chosen for a short period may become intolerable according to social convention if imposed for a longer period or under different conditions (for instance, living in a tent or undergoing other privations). Conflicting judgements about these two questions colour much of the argument about the adequacy of social assistance and other minimum income maintenance arrangements in different countries.

Most modern industrial countries have methods of income maintenance which ensure levels of income or pay benefits to some citizens. The question, *adequate for whom*, therefore raises two further questions: who is included in the definition of 'citizen of and in a country', and are the standards for citizens stratified by class, ethnicity or some other categorisation? Who is a citizen is a very important question at the human level: some inhabitants are excluded from minimum standards because governments do not treat them as full citizens. But this study could not address that problem. Governments may use administrative instruments embodying standards of minimal adequacy for all citizens; others embody no such standards, or

refer to criteria of 'adequacy' in terms of meeting the objective, not of nationally acceptable minimum levels of living, but of reflecting justly a person's contribution record or previous earnings levels, leading to different material outcomes.

Many governments administer some form of residual income maintenance, such as means-tested social assistance. The levels of such benefits may do little more than give some support to those with low or non-existent incomes; the benefits may not meet socially defined minimal adequacy standards, particularly if such standards have not been discovered in that country (Eardley et al, 1996). Sometimes these are called 'official poverty lines' as if their existence implied such an evaluation of minimal adequacy, but (as stated) they may not embody any articulated minimum standards, and it can be argued that they are in no sense poverty lines. As Deleeck and his colleagues put it, to use minimum income maintenance provisions as poverty measures "presupposes what is often a subject of debate and research, namely that the level of the guaranteed minimum income is sufficient to stay out of poverty" (1992, p 5). Countries such as France or the UK have just such residual income maintenance instruments (*Revenu Minimum d'Insertion* or *Income Support*) which lack any demonstrable justification as adequate. Other countries have varying justifications and methods for arriving at their standards and embody them in differing instruments, which is what this study reports and explains.

There is nothing new in the idea that different objectives for seeking measures of minimally adequate levels of living will lead to different outcomes: to mix the metaphors, poverty theorists, researchers and policy makers are constantly and fruitlessly arguing the difference between apples and pears and have to reinvent the wheel of horses for courses.<sup>3</sup> The social statistician Arthur Bowley (who carried out many poverty studies in Britain using Rowntree's early methods) pointed out as long ago as 1923 that a minimum 'standard of living' could hold at least three different meanings: what a social class could be discovered to define conventionally as its minimally adequate level of living; what trade unionists were trying to achieve; or minimum subsistence for mere physiological needs (he severely criticised the assumptions behind the latter approach to defining minimum living standards; Bowley, quoted in Jäntti, 1993, p 20).<sup>4</sup> Similarly, Aronson's history of the setting of US government MIS early in the 20th century emphasised the difference between the supporters of 'efficiency' who prescribed how workers ought to spend their minimum incomes, and the proponents of equality who "drew a poverty line that described workers' own consumption preferences and how to satisfy them without risking

nutritional privation” (Aronson, 1984, pp 18-19). *The choice of adequacy measures can be judged only in the light of the aims of their use and the answers to the four questions posed.* Whether or not a measure fulfils its aims, its adequacy may then be assessed using one or more of the approaches to measuring poverty outlined above.

Once discovered or prescribed, an abstract standard of adequacy such as a poverty measure has to be concretely represented by a functional *instrument* to embody and symbolise the abstraction. Among many possible functional instruments are those drawn from social administration such as a minimum wage or pension level. An administrative instrument or *construct* (such as a household budget or consumption pattern) in which the standard is embodied may have other intended and overt functions with higher salience to users than the function of symbolising minimal adequacy. If an evaluation of adequacy is embodied in the tool, the critical issue is that it must be transparent, comprehensible and explicable.

### **What are governmental MIS?**

Against this background of approaches to poverty and deprivation and the meaning of standards of adequacy, the distinctiveness of governmental Minimum Income Standards, the object of this report, can be seen more clearly. They were defined in Chapter 1 (p 1) as:

**a political criterion of the adequacy of income levels for some given minimum real level of living, for a given period of time, of some section or all of the population, embodied in or symbolised by a formal administrative instrument or other construct.**

Precisely what those various instruments or constructs were in the countries studied, and what their adequacy criteria were based on or referred to, is described in Chapters 4, 5 and 6. *This report uses the acronym MIS for the sake of brevity to mean the standard and at the same time the instrument in which it is embodied.* These two elements of the definition will be distinguished where appropriate, but the fact that they are distinct concepts must always be kept in mind, particularly as the distinction is not always made by the users of the MIS.

MIS are thus the ‘bundles’ of ‘standards–explicit–in–an–instrument–or–construct’ which are used by governments to assess the adequacy of part or all of their income maintenance systems – minimum wages, tax thresholds, social security and means-tested social assistance – and based on a variety

of different factors and formulae. MIS are *political* and subject to all the considerations which governments have to take into account in making policy. Even in principle, evidence from empirical sources about the minimum income levels required to live decently in any country (its 'poverty line' or boundary between an adequate level of living and deprivation) is only one among several possible factors taken into account by governments constructing their MIS. Such evidence was not available in most of the countries at the time of the studies, though poverty surveys have been carried out in some since then. The next section outlines the difference between poverty measures and the political constructs of MIS.

### **The difference between poverty measures and MIS**

*The key difference between poverty lines and MIS is the role of social science or politics in setting the standards, the source and status of authority on which claims of adequacy are made. Even if all human observations are affected by value judgements, a fundamental difference remains between the discovery methods of the social sciences and the political power of governments. While the observer's values may affect their judgement about what are the significant questions and whether the dominant or majoritarian values and levels of living are agreeable, the question of whether resources are adequate for social life is a matter for scientific discovery alone. It can neither be decided a priori by academics, nor can it be determined by political diktat, however much politicians desire to justify their policies as adequate.*

Few people reject a scientific finding when it suits them. However, in the field of poverty studies the potential of the scientific method of testing hypotheses seems surprisingly contested or disregarded. Among the many reasons why this may be so may be simple confusions between facts, values and strategies (package-deal thinking), scepticism about the potential of science to give reliable answers, and fear of the political and economic consequences of any answers which may be given. "Package-deal" thinking is the name given by Fox (1979) to the common inability to distinguish, in this example, the *values* which define poverty as a problem, from the *facts* which can be discovered about the boundaries of conventionally adequate levels of living and necessary resources, and each of these from the political *strategies* which might be necessary to combat poverty. Thus assertions that values or strategies are 'subjective' leads package-deal thinkers to dismiss the objectivity of scientifically discoverable facts. Furthermore, where there are substantiable criticisms of the shortcomings of existing attempts at scientific research into poverty or the biases of values or ideology of the researchers, these are often presented as irrefutable objections to the

possibility of any reliable scientific research into this subject at all. This is convenient for those people who do not wish to address the attendant problem of the failure of the current distribution of resources to combat poverty.

A common reason for confusion is fear that revealing the facts of poverty will be politically inconvenient for those who resist raising low pay or income maintenance benefits paid out of taxation. The incentive for governments to choose their own standards and call them 'official poverty lines' is very great. But there is no prior reason why the political decision on setting MIS could not lead to higher income levels than poverty surveys suggest. This was, for example, the case in The Netherlands for a decade to the mid-1980s, where surveys based on attitudinal poverty measures (see above) found that the Dutch population set its standards of minimal adequacy at income levels *below* those of the prevailing MIS (Goedhart et al, 1977, pp 515-16; Muffels et al, 1990, p 33). Indeed, it seems obvious that under optimum conditions a good democratic government would always try to ensure that its MIS was higher than any poverty measure and that all its citizens had adequate incomes. But to the extent that governments do not control labour market rewards and wish to minimise public expenditure on income maintenance, they may be reluctant to learn that society sets its minimum standards higher than they do.

The confusing and inappropriate use of the term 'official poverty line' for politically determined measures continues to be very common. Here are three common examples which are not based on testable hypotheses or empirical findings about the boundaries between adequacy and poverty in a society.

- Statistical measures of *inequality* in incomes or expenditures which are not based on empirical evidence of the boundary between adequate and inadequate incomes or expenditures. The most commonly used example is the use of some kind of 'half of average incomes' as a proxy for poverty as extreme inequality in a country. While the actual percentile of inequality taken to define 'poverty' is usually 50%, the statistical base varies between different studies and must be carefully examined if comparisons are to be made. Versions include: basing the 50% on the mean or median, using either income or expenditure, before or after allowing for housing costs, taking income equivalised (see Appendix B) for household composition or based on GDP per head. Examples can be found in any study carried out using Luxembourg Income Study (LIS) or OECD data.

### Setting adequacy standards

- Cash measures based on minimum *subsistence* budgets or ‘food share’ multipliers (see above) which are not based on empirical evidence of the prevailing social definition of a minimally adequate level of living and the income level needed to maintain it. A major example is the US government’s OPL (see below).
- Cash measures based on or compared with social assistance or other income maintenance *benefit* levels which are themselves not based on empirical evidence of the incomes required for a socially defined minimally adequate level of living. This political measure is commonly used as a proxy for better social measures: as Field put it, “Since we are concerned about the administration of the tax system by the government, it is appropriate to use a governmental definition of poverty” (Field et al, 1977, p 52; see also Gustafsson and Lindblom, 1993, p 3).

Perhaps some of the confusion may derive simply from the ambiguity of the word ‘measure’. The third element in the discussion is the level of the actual lowest income maintenance benefits, as shown in Table 1 (p 8), since these are often confused with MIS. A statistical measure of fact may become blurred in some minds with a statutory measure, a deliberate value-laden goal-oriented action.

The conflict between probability and precision characterises the typological differences between science and politics. A poverty measure expresses statistical probability that any one income level will correlate with severe deprivations, but there is no single precise income level which covers all cases, above which no one is deprived and below which everyone is. But a political measure requires precision; a MIS or social security scale cannot be expressed in general terms but must refer to actual cash sums. Its precision is therefore matched by its improbability as a reliable means of combating poverty in every case. Statistical inequality measures and social budgets which appear to combine quasi-scientific precision with political expediency are thus useful for governments as bogus proxies for poverty, saving the hard work of discovering where the probable boundaries of poverty really fall.

### **Is Income Support a MIS in the UK?**

In the allocation of national resources by governments, the standards of rationality are not those of science but inevitably those of political realities. The political rhetoric used may defer to science, usually for the purposes of rationalisation and achieving consent, but cannot justify government

assertions, for example that the UK Income Support was adequate for all day-to-day needs (Department of Social Security, quoted in *The Guardian* 1 February 1994). But as the Australian Senate's 1996 report on the potential for MIS observed:

**Benchmarks imposed by one authority or person will not necessarily reflect the aspirations of society. The scope and content of the legal, economic, social and cultural rights and responsibilities of citizens involve political judgements and must finally be determined through the political process. (Australia, 1996, p 39)**

In the UK, government statements about what benefit levels 'can be afforded' have simply reflected political decisions on the total governments have been prepared to spend, not the total of claimants' needs. Politicians and social security department officials have always known that assistance benefits were too low for minimal social life in Britain (some of the evidence on these points is reviewed in Veit-Wilson, 1989; 1992; 1994b; 1997; forthcoming [a]). While acknowledging its inevitable political basis, the UK's Income Support system has no principled relation to any minimum standard or conception of a minimum level of living; it therefore cannot be described as a MIS.

A more important aspect of politicians' talk about the 'cost and affordability' of a 'poverty line' is what it conceals. In all countries, government policies allow people to earn high incomes as well as low ones, and (to various degrees) allow essential services such as health, housing or utilities (such as fuels, water or transport) to be priced in ways which do not take account of the ability of those with low incomes to 'afford' the costs. The idea that minimum incomes cannot be raised because it would 'cost too much' means nothing more than a social stratification of standards of what is affordable and for whom, to be discussed in Chapter 3. Politicians are in effect saying what can be afforded (in Sargent Shriver's words during the 1960s American War On Poverty) for "We the People" but not for "They the Poor".

## Conclusion

In order to enable the findings of this report to be understood and put into social and political context, this chapter has outlined the principal differences between approaches to the definition and scientific measurement of poverty on the one hand and the political activity of setting governmental Minimum

Income Standards on the other. The answers to the questions about adequacy above emphasise the clear distinctions between the sources of the two standards.

- *Adequacy for what and how long?*
  - **Poverty line:** the minimum participatory level of living as shown by scientific research, for as long as required to maintain the appropriate level of living.
  - **MIS:** the minimum level of living which politicians consider sufficient to meet their objectives, for as long as the administrative arrangements provide.
- *Adequacy for whom?*
  - **Poverty line:** for all members of that society or citizens of that state if that is how the prevailing values see membership of society. A highly stratified society (see Chapter 3) without citizen rights to welfare might effectively have more than one poverty standard.
  - **MIS:** for those citizens defined as relevant by politicians. Naturally this might be the same as for the poverty line, or politicians may omit some totally, or set different standards for different population groups (by status, ethnicity, deserts, etc).
- *Adequacy – who says?*
  - **Poverty line:** social science should reveal the views of the population as a whole about the minimum real level of living to which all should have access, and statistical methods should discover the disposable income which gives access to it.
  - **MIS:** the politicians or government officials, perhaps after consulting politically relevant experts or groups.

Poor people have suffered greatly from confusion between the two where and when they have been blamed for failing to live ‘unpoor’ lives on MIS-level incomes which were demonstrably below a scientific poverty measure. Whatever the reasons for this confusion, which may range from ignorance to cynicism, it has to be kept constantly in mind when analysing how people talk about poverty measures as boundaries between adequacy and deprivation, and while considering what governments do about it. Chapter 3 reviews the ways in which standards of adequacy may be stratified by class and cultural expectations and by the sources of incomes; it considers the purposes for which governments may want such measures and standards

and the ways in which they are discussed – their *discourses* – some of which refer to poverty measures and some to MIS.

### Notes

- 1 Semantic prescriptions like these are sometimes called ‘Humpty Dumpty’ after Lewis Carroll’s character who laid down what words ought to mean. However, attempts to clarify the meanings of words in this report aim only to improve the quality of the discussion; they do not determine how others use the terms.
- 2 They may choose not to use some of them, claim it is impossible, or act covertly in socially disparate or stratified ways (tacit social policies: see Rainwater et al, 1985).
- 3 The American poverty sociologist S.M. Miller warned researchers and policy makers against reinventing the *broken wheel* (1980), but apparently in vain.
- 4 *Minimum subsistence* is the name commonly used for budget measures which include the costs only of what are asserted to be irreducible physiological necessities (food, clothing, fuel/hygiene, housing); they exclude the costs of social necessities. The originator of the method, Seebohm Rowntree, explicitly stated that minimum subsistence incomes were *inadequate* for social life; after all, he designed them explicitly to show that some people had such low incomes that they could not even meet their physical needs alone (see Veit-Wilson, 1986a; 1986b). In spite of this, the subsistence approach has been used by UK governments since 1934, and by many others, to rationalise politically viable MIS (Veit-Wilson, 1989).



## How are Minimum Income Standards and poverty expressed?

*This chapter outlines four neglected issues inevitably inherent in all discussion of income standards: stratification, source, purpose and discourse and which have to be examined before each country's MIS can be understood.*

Four issues inevitably influence all discussions of minimum standards and poverty, even if they are often evaded or concealed:

- *Stratification*: the question of which section of the population the minimum standards refer to ('adequacy for whom?' and 'who says?').
- *Source*: the question of which tier of regular sources of income is taken as the reference level for the standards – earnings, long-term contributory benefits such as pensions, or short-term residual and means-tested benefits such as social assistance. Each tier of the sources of income has a different social status and meaning associated with it which influences the question of 'adequacy for what and how long?'.
- *Purpose*: the variety of purposes for which minimum standards have been devised and which affect their viable forms.
- *Discourse*: the question of the different ways in which deficits or deprivations from some standard are conceived and expressed in taken-for-granted notions as well as in formal conceptual systems.

Failure to identify and confront these four issues often leads to mutual incomprehension and futile discussion of policy objectives and measures. In the absence of an agreed common discourse, effective policy making demands at least the capacity to understand the various assumptions used for making policy under other discourse conditions. The chapter does not try to offer a full treatment of these issues (a large scholarly literature already exists); its aim is only to raise those aspects which are indispensable to an understanding of the forms of MIS found in this study.

## The stratification of standards

We must not assume that people or governments hold only a single view of MIS. They may, and many do, distinguish different levels of adequate income according to what they perceive as relevant differences in the population affected. People may consider that lifestyle differences justify different minima (what may be called class-cultural stratification). Or the differences may be seen in terms of occupational groups (such as ideas about appropriate minimum earnings). Another cause of different minimum standards derives from beliefs about what is proper for different sources of income – such as that those who do not work ought to have lower minimum standards than those who do. Each of these is a form of stratification.

*Stratification* in this context means social layering, when different minimum standards of adequacy are applied to different sections of the population. Research may reveal that the population as a whole accepts only one standard or more than one as appropriate, or that sections of the population differ in their acceptance of different minimum standards, for themselves or for others. Power holders may believe and act as if differing standards are appropriate, whether or not surveys show them to be popularly acceptable. The key issues are what ideas about social similarities or differences are being applied: who is judging what is adequate for whom, with what authority and agreement? As the economists de Vos and Garner put it, remarking that research in the USA and The Netherlands revealed that people's subjective thresholds of minimal adequacy were considerably higher than governmental 'official poverty lines' (what this report calls MIS),

**... higher educated people are likely to relate a different lifestyle to the minimally necessary income than are lower educated people, thus the question arises whether we can derive a socially and politically acceptable definition of poverty. The problem is related to the comparison of poverty lines between different countries, but now in addition, concerns different poverty lines in one society. (de Vos and Garner, 1991, p 280)**

The standards may also vary according to whether respondents think they are expressing views about minimal adequacy for *themselves*, or about minimal adequacy for *other people* in what they believe is a lower social class or different cultural group. For this reason, surveys often focus on respondents' views about minimum standards for themselves, or for everybody in that society; analysis can then discover if there are stratified differences in responses. Thus, according to its focus, social research may reveal common or stratified standards.

Similarly, attempts to set political standards may vary. In some more socially egalitarian countries, such as the Nordic nations, the stratification of standards for citizens by social position or culture is generally unacceptable (although in practice it may be tolerated for some ethnic minorities). In other more socially hierarchical countries such as France or Germany, the stratification of standards seems to be less contested. Governments may reflect such conventional assumptions in their MIS, but in theory they could ignore or try to counteract them. Over time, the public acceptability of stratification may change, giving openings to politicians to exploit new situations. When Seebom Rowntree composed his “primary” poverty measure (1901) or his “Human Needs of Labour” minimum wage prescription (1918; 1937), it was simply taken for granted in Britain that the standards to be employed were appropriate for working-class but not for middle-class lifestyles. Scholars have argued over the question whether there was an increase in solidarity in Britain during the Second World War and a reduction in the toleration of gross disparities in the standards of social provision, which facilitated the acceptability of the 1945 Labour government’s implementation of ‘universal’ social security and health reforms (see for instance *The Guardian*: Hutton, 28 March 1994; Addison, 20 May 1994). However, Hennessy (1993, p 71) quoted Richard Titmuss’ contemporary observation about this period that,

**... it was no longer thought sufficient to provide through various branches of social assistance a standard of service hitherto considered appropriate for those in receipt of poor relief...**  
(Titmuss, 1950, p 506)

## **Time and risk**

The notions of *time* and *risk* also play a part in identifying whether stratified standards will be tolerated. Those who see social difference but believe they will never be in an adverse situation may tolerate lower standards for others (‘They the Poor’) than for themselves (‘We the People’). However, those who are similarly well placed but believe they risk adversity in the future may want to ensure that there are in place minimum standards good enough for themselves and apply them even for others currently in need. Such stimuli to solidarity were observed in the Second World War and have been noted again during the economic restructuring of the 1980s and 1990s, for instance in the British arguments about minimally acceptable pension provisions. German research into the lives of social assistance

claimants over periods of years has shown (as Rowntree's did in 1901) that many more people experience periods of poverty than are poor at one time, but also (as Rowntree did not report) that they are not drawn from any one class or cultural group (Leibfried et al, 1995). This finding undermines the class-culturally stratified assumption that minimum standards for social assistance need be good enough only for the stereotyped 'poor' and not for the mass of other citizens who may become poor for a time.

The income maintenance and other provisions which embody these stratified minimum standards are themselves often seen as stratified, as American scholars such as ten Broek (1964) and Tussing (1973) have noted in the fields of family law and social policy. Tussing pointed to the way in which provisions intended to be minimally adequate in level or tone for 'We the People' are those associated with positive notions such as social security, risk-spreading insurance, contributory principles, rights, earnings-related benefits, or tax-deductible allowances increasing in effective value as income rises. But institutions for 'They the Poor' are commonly associated with other lower-status notions such as welfare, relief, assistance, charity, subsistence and means-tested benefits decreasing in value as income rises. People may not be conscious of the fact of stratification even when it is very great: Tussing noted that US government spending on 'positive' provisions was supported and far greater than on 'negative' ones, which were opposed, and concluded that public ignorance about the vast differences in expenditures "... permits taxpayers to demand and legislators to provide differential levels of support *without being conscious of discriminating*" (Tussing, 1973, p 54; emphasis added). Gunnar Myrdal, reflecting on *Objectivity in social research*, commented caustically that "All ignorance, like all knowledge, tends thus to be opportunist" (Myrdal, 1969, p 19).

In egalitarian countries with little evidence of class-cultural stratification, a range of expressed standards in terms of educational or occupational position may still be apparent (as deVos and Garner reported above, though the range was much greater in the USA than in The Netherlands). However, some concepts of social exclusion (as in France) focus less on the stratification of minimum standards than on personal integration into some level of a stratified society, irrespective of any minimum standards, treating them as more or less irrelevant.

### **The stratification of standards by tiers of income sources**

Popular views about differences in standards often reflect ideas about the level of living believed to be appropriate for people depending on income from a particular tier of sources. For instance, the 'family wage' ought to

keep a stereotypical family at a 'decent' level; 'pensioners' should be kept out of poverty; social assistance for the unemployed should be below the lowest wages. This latter view is known in the UK as the principle of 'less-eligibility', from the term used in the 1834 Poor Law Amendment Act to assert that conditions in Workhouses should be less attractive to the poor than the level of living of the lowest-paid labourers. It is based on simplistic beliefs about economic rationality and incentives.<sup>1</sup>

There is nothing inherently inevitable about the relative levels of the tiers. Even UK governments have recognised that wages might be too low, and have supplemented them by such means-tested schemes as the Family Income Supplement, Family Credit or Earnings Top-up. In countries with MIS, such as the USA or Germany, income maintenance provisions such as the Earned Income Tax Credit in the USA or the German Social Assistance system can similarly be used to supplement inadequately low pay. In short, a government's MIS and its actual income maintenance provisions could both exceed what the labour market alone provided to the lowest paid, without offending the less-eligibility principle.

However, following the general principle that wages ought to be higher than support for the unwaged, the sources of low incomes can be arranged in a rough hierarchy of tiers, with the lowest wages at the top and the means-tested social assistance benefits for temporary use at the bottom, as shown in the schema in Table 2 (p 37). In between might lie the tax threshold and longer term social security benefits. The tax threshold is included because of the long-standing principle from at least the 18th century and later amended (OECD, 1986, p 62), that nobody should be taxed on inadequate or poverty incomes. The tax threshold should be set at such a level that a person on the lowest full-time earnings retains a minimally adequate net income *after* paying all taxes. Whether such a net income should be minimally adequate to maintain only an individual or act as a breadwinner's family wage is a separate and often contested question.

Attitudes towards income stratification by source also refer to beliefs about who has 'paid' for the income source, through work, savings, contributions or other tax payments. For instance, there is much debate about the levels of contributory or private pensions in these terms: people should be adequately rewarded for what they believe they have 'paid'. This contrasts with the assumptions about the standards of adequacy to apply to non-contributory benefits, especially those intended to be means-tested for the poor, where the standards are held to be those of 'taxpayers' and not of the intended recipients. A key issue here is the degree of conscious solidarity between the current contributors (or their political representatives

setting the standards) and the intended poor beneficiaries (see the discussion of time and risk above). The setting of standards for differently perceived types of benefit (though often the same needs) is a microcosm of the disparity between the notions of 'rights' and of 'charity', which are distinguished by the perceived direction of reciprocity (who is the 'payer' and who the 'beneficiary?') and the consequent question of who is ascribed with power over the criteria for evaluating the exchange. The recipient of charity, even from the state, is not a customer in the sense of those who are believed to have 'paid' for their benefits through labelled contributions. Statements that it 'would be too expensive' to raise benefit levels for the poor are indications of the stratification of standards of adequacy by those who believe they are 'paying'.

Both wages and pensions are normally assumed to be needed for long periods of time and must cover all expected long-term household costs. But should benefits intended for short-term use, such as social assistance, be judged by the same standards? For example, fuelled by concern over levels of public expenditure some Nordic countries have debated the question whether social assistance intended for only short periods ought to include pro rata elements to cover long-term needs (expressing the unstratified right of all citizens to an adequate income at all times), or if – for the sake of public economy – social assistance could be confined only to the cost of everyday items without allowing for replacements, holidays or similar long-term requirements. This would reflect a stratification of living standards into adequate for 'us' and for 'them' (though if the changes were implemented it might have led only to a transfer of some of the items from elements of regular income to single social assistance payments if and when required).

Governments may have a variety of goals for setting income maintenance benefits, such as affecting incentives or managing the economy, and the level of each tier of income maintenance benefits may therefore vary, especially if they are intended for different strata of society. If social justice for even the poorest citizen is also among a government's goals, each of the income maintenance benefits must be adequate for social participation by the citizens dependent on them, or governments must intend to raise them to that level. Not all the countries studied seemed to include this view of social justice among their income maintenance goals.

**Table 2: Tiers of income maintenance affected by MIS**

The scientific side: poverty lines, etc	The political side: MIS and income maintenance provisions
<b>'Modest but adequate' budget standards</b>	<p><i>Minimum wages (plus variable dependency allowances such as child benefits) to ensure that a full week's work produces an adequate income for individuals and families</i></p> <p><i>Tax thresholds below minimum wages to ensure that everyone pays income taxes, but above the poverty boundary to ensure that everyone has an adequate income left after paying relevant taxes on their incomes</i></p>
<p>The dotted line above reflects the income level (top level of the income band) needed to meet the minimally adequate level of living, other things being equal. The two 'poverty lines' below are based on mixtures of empirical evidence of the minimally adequate level of living, with calculations in terms of budget methods. The governmental MIS used as a criterion of minimal adequacy ought not to fall below this level, though it could be above it.</p>	
<b>The long-term (fully capital-replacing) poverty line</b>	<p><i>Long-term social security benefits</i></p> <p>The level of means-tested social assistance benefits will depend on national beliefs and assumptions about the significance of keeping contributory benefit levels above means-tested benefits in order to preserve the incentive to make contributions and gain higher benefits by doing so</p>
<b>The short-term (running costs only: no capital replacements) poverty line</b>	<p><i>Short-term and temporary social security benefits</i></p>
<p>The dotted line above reflects the lower level of the band of income correlating with deprivations. Below this, there is a high and increasing correlation. No form of income maintenance should fall below this line. If it does, a government is not paying benefits 'enough to live on at all times', but only a contribution towards such a minimal level. In that case, it has an obligation (enjoined by the concept of social justice) to ensure that all citizens have their incomes made up to the minimal level from other guaranteed sources, including forms of the social wage.</p>	

The question of what level of living a MIS might relate to can in this way be seen to depend not simply on a single conception of a poverty boundary, nor on a view of society with stratified levels of living, but also on more complex views of the appropriate levels of living which people dependent on different sources of income should be able to buy with their incomes. How these relate to objective questions of adequacy for a participatory minimum is a separate question; some hypothetical suggestions are made in the schema in Table 2. In reality, decisions about what are believed to be the appropriate minimum standards for different occupational and income strata are already regularly made, and range very widely. In a New Zealand commentary on industrial relations, Brosnan and Rea illustrate this (1991, p 146) in a schema which distinguishes between the employed and the not-employed. On the employed side of the schema lies a range of tiers of different minima, the higher being for individual contracts and collective bargains and the lowest being the statutory minimum floor of employment rights; between them fall the various minima for specific occupations. But on the not-employed side, all the different tiers of public support fall below the lowest level on the employed side. These different conceptions of acceptable minimum incomes reflect the power of bargaining groups and many more views of minimal adequacy than those focusing solely on the needs of the poor. Adequacy for what, for how long, for whom and who says, are all questions deeply influenced by stratified beliefs and practices.

The ten countries studied differed considerably in their responses to the question of which tiers their MIS referred to, and how far the underlying assumptions about adequacy standards were stratified. The findings on MIS reported in Chapter 4 are arranged to reflect these disparate ideas about levels, stratification and adequacy. But two further issues must first be considered: the purposes for which measures are required, and the discourses in which they are expressed.

### **Why do governments want MIS?**

There have been many reasons why people have wanted criteria of inadequate levels of living and poverty during the century-long history of attempts to measure them. Here, roughly in the order of their historical development, are seven of these purposes and some of the methods and measures which have been devised to meet them. Elements of all of them are found in the debate on MIS. Some of these purposes lead to quantitative measures and some qualitative; some refer to money and some to wider aspects of resources and experiences, while some seek measures of adequacy and some of inadequacy. Some are empirical and some normative.

- *To describe* the lifestyle and appearances which identify the ‘poor’. This has been a purpose ever since the condition of poverty was a concept, and focuses on the characteristics of the poor’s lifestyle. It remains a purpose for those who see ‘the poor’ as a distinct group in society: for example, in defining an ‘underclass’. In his first survey of York (1901), Rowntree took it for granted that poverty was a distinct lifestyle and that the poor could be identified and counted by visual observation – contrary to subsequent belief, he did not define poverty in income terms; he defined only a ‘primary’ poverty income in cash terms as inadequate for social life (Veit-Wilson, 1986a).
- *To count* the numbers defined as ‘poor’. This was the second purpose, once the poor could be identified. Charles Booth’s survey of London in the late 19th century was the first large-scale empirical attempt to count the poor, but it too used visual lifestyle characteristics and not income as the defining criterion of who the poor were.
- *To explain* why people seem to be poor or live ‘poor lifestyles’. Rowntree wanted to use scientific methods to test the middle-class assumption that the poor’s lifestyle was the result of the misuse of otherwise adequate incomes. He therefore devised an *inadequate*, ‘primary’ poverty income level to show that those whose actual incomes fell below it clearly had too little money for physical needs. The visible signs of poverty must therefore have been caused by inadequate incomes not by misuse.
- *To compare* low levels of living over time and between groups. This purpose requires a quantifiable standard measure. Social statisticians such as Arthur Bowley and many others subsequently (eg, Bowley and Hogg, 1925) used versions of Rowntree’s ‘primary’ poverty measure, knowing it was inadequate for social life, because it gave them a precise and usable comparative tool. Rowntree’s second survey of poverty in York in 1936 used three measures to make different kinds of comparisons: a dynamic level of living measure; a dynamic cash income measure; and a static cash income measure (Veit-Wilson, 1986a).
- *To prescribe* income levels on which people are or ought not to be ‘poor’. Anyone who aims to combat ‘poverty’ needs a plausible boundary measure between adequate and inadequate incomes to use in structuring their proposals.
- *To report* the income levels on which people say they are ‘only just not poor’. This was the purpose pursued originally by the Gallup Poll in the

## Setting adequacy standards

USA from the 1930s (Gallup, 1966) in asking people to report the income levels at which they could 'just get by'. It remains the aim of the empirical attitudinal surveys which start from the position that people themselves are the best judges of the minimum incomes they need.

- *To discover* empirically the income levels at which people do not seem to be poor (as society defines poverty). This purpose was pioneered by sociologists such as Peter Townsend (1954; 1979) and by others since (such as, in the UK, Mack and Lansley, 1985; Gordon and Pantazis, 1997), on the basis of studies correlating indicators of the adequacy of the level of living with varying control over resources.

Endless trouble has been caused, especially to the poor, by misusing measures devised for one purpose for others for which they were not intended or suited. For instance, Rowntree's 'primary' (subsistence) poverty measure which was deliberately set as inadequate for social life, covering only physiological needs, was later claimed by British governments as an adequate basis for normal social life and used to structure their social assistance benefit levels from 1934, including Beveridge's recommendations in 1942, and up to at least 1959 (Veit-Wilson, 1992; 1994b; 1997; forthcoming [a]) and perhaps into the 1990s (Stitt and Grant, 1993). The UK government's real reasons for promoting such inadequate social assistance benefits in 1934 were utterly cynical, but uncontested because no scientific evidence of adequacy existed at that time (see Veit-Wilson, 1989, p 84).

Governments have shared some of these purposes in devising their MIS, though their objectives are more clearly political than scientific or social. Such purposes include the provision of:

- *Measures of minimally adequate incomes*, for defining inadequate incomes and thus counting the poor (for this purpose, those having incomes below the MIS, unless the standard used is described as 'official poverty', in which case the poor have incomes on this level as well); for identifying population groups in 'poverty' by this measure and for calculating how deeply they fell below the MIS; and for comparing them with other groups in the population and over time.
- *Criteria of adequacy* of the government's various income maintenance measures for specified purposes and of the levels of living of target population groups.
- *Guidelines*, for setting various income maintenance measures as proportions of the MIS.

Thus a MIS may function as a *yardstick* of the adequacy of benefits, a *target* for income maintenance policies and a *criterion* of their achievement. It can act as a long-standing official but socially defensible monitor of minimum standards at times when governments are tempted to cut them in the pursuit of short-term political objectives – although the MIS as a political construct is itself vulnerable to amendment; both the German and Finnish governments changed their MIS under the pressure of economic retrenchment. In most countries the levels of the various social security benefits are periodically revised depending on their purposes and for whom they are intended. For some types of benefit, the rates are expressed as percentages of whatever is used as the basis of the MIS there. The MIS are thus used to set goals, calculate costs and measure achievements, as governments work towards providing minimally adequate social security benefits, ensuring minimum incomes from employment, and setting tax thresholds, or assessing the scope for politically viable public expenditure economies.

So although this report uses the term MIS for those standards and instruments identified as fulfilling these functions in each of the countries studied, the precise forms they took varied widely and were subject to change. Their uses in practice ranged across a continuum from explicit directive MIS (such as in The Netherlands or Norway) through to expedient yardsticks (as in Finland or Sweden) and implicit influences (as in Belgium or France). For MIS as symbols are flexible yardsticks, adjustable measuring rods rather than templates determining the levels of all income maintenance programmes. The ideas they use to justify the standards they symbolise also reflect their disparate origins.

## **Discourses: the languages of poverty and MIS**

A major problem encountered in discussing poverty issues around the world, or even in different contexts in one country, is the disparate ways in which people think and talk about their conceptions of poverty. The MIS study was faced with this problem so seriously as to endanger the significance of the findings: if differences were not addressed, the findings might be meaningless. The following section therefore sets out the nature of the problem and some ways of explaining it, so that the findings and comments on feasibility in Chapter 6 can be placed into meaningful context.

While the debate about poverty in the UK often raises questions about the adequacy of cash incomes and material resources to combat deprivations – this was, after all, the purpose of the MIS study – people interviewed in other countries for this study could not always understand British concerns

about poverty which seemed unimportant or meaningless to them. Some of these perspectives were simply incompatible: if poverty were to be what one said it was, it could not be understood or expressed in the other's terms (Room described this as the "mutual incomprehension" of different traditions for analysing poverty: Room, 1995a, p 105); or alternatively, as Silver put it, "practitioners speak from 'incommensurable viewpoints' and use the same language to mean different things" (Silver, 1995, p 61). A study of the debates on social welfare in Britain and France called the confusion "Chunnel Vision" and referred to "different conceptual world views" or paradigms (Evans et al, 1995, pp 32-3). Furthermore, people with these different ways of conceptualising and expressing ideas of deficit, deprivation and poverty often seem to use their own way as a weapon to dominate discussion with others, effectively invalidating other modes and disempowering those who use them.

These differences are not the product simply of the variety of political ideologies that exist, or of social values or even of explanatory models or scientific paradigms alone, though they may contain elements of all of them. They are often more diffuse and difficult to identify, classify and analyse – but their pervasive influence may be even greater, and therefore harder to confront and oppose. This is not always apparent to those who live and work within one of these positions and who treat them as unproblematic taken-for-granted truths. The French historian Michel Foucault termed them *discourses*, and while there is much argument about what he meant, and when and in which circumstances this label is useful for the phenomenon in question, it remains the simplest and most widely understood applicable term and has previously been used about disparate approaches to poverty by some authors in this field (for example, Dean, 1992; Silver, 1993).

### **What is a discourse?**

*Discourse* in this context is a technical term meaning the 'package' of a theoretical model of the nature of relevant knowledge and how it is to be studied by a discipline, with the grammar and vocabulary in which it is expressed. Different disciplines addressing the same phenomena may use disparate discourses – a typical problematic example being the conflict between economic and sociological approaches to poverty. The discourse may be embedded in an ideology of values and power to be used to some end, and even formal social institutions may be organised to reflect the assumptions of the discourse.<sup>2</sup> The package may also carry value assumptions and implied prescriptions for action and be subject to Fox's warning against "package-deal" thinking (see above). Nevertheless, if we want to understand

the ways in which poverty and MIS are discussed and policy made and implemented, we have first to examine the various discourse packages employed.

A discourse is not coterminous with a science, a discipline, an explanatory model or an ideology, but the boundaries may provisionally coincide. It is not necessarily a logical or linguistic system. It is a particular way of thinking and talking about a subject used by those with powers of various kinds (intellectual as well as social and political). Users may be unconscious of its problematic status, taking it for granted as appropriate. Or they may use it deliberately to pre-empt the possibility of other ways of thinking and talking about the subject (a monopolisation of the debate technically known as *closure*). Closure can have the effect of invalidating the perceptions and devaluing the experiences of those who may claim to have equally valid knowledge or experience but without the appropriate and relevant powers to have their discourse acknowledged: they are disempowered. Discourse usage points to certain policy possibilities and excludes others. It can be and is used to devalue policy discussion of options suggested by others who are outside the circles of the dominant discourse.<sup>3</sup>

While the concept of a discourse in this sense was developed to express certain ideas in history and philosophy, it is indispensable in other fields such as social policy generally and poverty in particular. Sociologists are aware that the very language they use for phenomena under study ought to be treated as problematic, but such awareness seems less widespread among other social sciences commenting on social policies, and it is naturally rare in tendentious exhortations to policy making and political action which depend on closure. In the social policy field there may be several parallel discourses employed by different sets of competing social 'actors' simultaneously – for instance, politicians, academics and community groups – though with differing power when they come into conflict. The issues of plausibility, dominance or closure are then questions of the audiences for their use and the relative power of their users in the relevant political arenas; they cannot be abstractly determined a priori.

In dealing with the problem of discourses, one must emphasise that there is no external, objective, detached position from which to analyse them all. Everyone inevitably works from within the position of an implicit, if not explicit, discourse.<sup>4</sup> The key issue is to clarify the assumptions of any discourse, to demystify it, to make it amenable to examination by others – in other words, to open it as far as possible to systematic analysis, criticism and change as represented by the scientific method.

Until the anglophone assumption that poverty was either about behaviour or money was confronted with the European assumption that poverty was about exclusion, these discourse differences were scarcely discussed, or only in the form of competing ideologies or paradigms. But since the 1970s a body of publications have addressed the “competing paradigms of analysis” (Room, 1995a) and attempted to explain the “rhetoric and reality” of, for instance, the social exclusion discourse (for example, Rodgers et al, 1995). The chief distinction between the different approaches has been expressed by Room as those concerned with *distributional* issues (poverty as a lack of society’s valued resources such as money) and those concerned with *relational* issues (poverty as exclusions from power and participation in society) (Room, 1995b, p 5). In principle, these do not inherently contradict one another: poverty could be seen as either and both of these, though adherence to one discourse rather than another can close off policy options. This seems to have been the European Commission’s response to some Member States’ sensitivities in the 1980s about the politics of redistribution, and the French promotion of their traditional social exclusion approach (which marginalised distributional issues) was seen as more expedient for general European use.

Discourses also differ in the value they ascribe to human beings and their interests. Some discourses assume that human beings are real members of society with their own values, interests, projects and patterns of life, whose ordinary activities are amenable to study and evaluation. These could be called *humanistic* discourses. Other discourses treat the objects of their concern as abstracted units which may have a legal status or statistical position, or which should act according to the simplistic predictions of formal ‘rational’ hypotheses untested against reality. Such discourses should be called ‘asocial’ because of their disregard for the realities of human social behaviours. The solutions they find plausible similarly differ according to the discourse users’ preconceptions about what is relevant knowledge and action.

There can therefore be many classifications of poverty discourses, but this is not the place for such theorising; the report aims only to set the framework within which the MIS can be understood. The chapter therefore concludes by identifying seven commonly used discourses in this field. Each has its adherents and some have large literatures employing the discourse; some, too, have been the objects of critical analysis (such as, for example, social exclusion: see Silver, 1993; Room, 1995a; 1995b; Rodgers et al, 1995). Some of these were in use by governments setting MIS, as

reported in Chapter 6. The list is neither authoritative nor exhaustive; its aim is to help clarify approaches encountered in this study by outlining 'ideal types' of each discourse, and to stimulate further discussion about the different packages of facts, values and strategies which each discourse more or less coherently embodies and reflects. The judgements on the discourses relate to this report's focus on minimum incomes for adequate participatory levels of living; given different values and objectives, the discourses might be evaluated in other ways.

• ***Discourses based on humanistic assumptions***

- *Structural*: this discourse defines poverty as a severe or enforced lack of resources to take adequate part in the level of living of dominant society which itself sets the standards of adequacy. Social, political and economic structures and processes distribute opportunities and obstructions to necessary resources. Wider forms of the discourse take account of control over all forms of personal resources and life-experiences; narrower forms confine themselves to discretionary cash incomes. This discourse's solutions lie in structural changes in the social, political and economic institutions which distribute control over such resources, to ensure adequate resource levels and life-experiences for all.
- *Social exclusion*: this discourse is used in many different and often imprecise ways. Analysts have described a number of variants (see, for instance, Silver, 1995). Poverty in general is defined relationally, as the identifiable categorical or spatial characteristics of groups or individuals which hamper or prevent them from taking an adequate part in dominant society. In the 'weak' versions of this discourse, the solutions lie in altering these excluded peoples' handicapping characteristics and enhancing their integration into dominant society. 'Stronger' forms of the discourse also emphasise the role of those who are doing the excluding, and therefore aim for solutions which reduce the powers of exclusion. Income level alone is seen as secondary or even irrelevant to the problem of exclusion.
- *Behaviouristic*: poverty is expressed as deviancy from the behavioural norms of dominant society, as dysfunctional to conformity, for instance as the lifestyle of an 'underclass'. As seen by the non-poor who employ this discourse, the solution to the poverty problem lies in forms of personal adjustment and behavioural re-education of the poor. Income level is scarcely relevant to the larger question of how people use their incomes.

- *'Egalitarian average'*: an arbitrary label for a common discourse in the latter part of the 20th century in the small-scale, culturally homogeneous, democratic Nordic societies, which denied the existence of poverty or saw it as merely peripheral, and took it for granted that the real issue was problematic divergences from the levels of living of average citizens in dominant society. Since minimum income levels were believed to be adequate in any case, solutions to these problems and such deprivations as were identified were held to lie in enhancing personal access to a range of conventional resources and experiences. The distinction between the empirical act of discovering the average and the normative act of defining some divergence from it as problematic did not seem to be addressed by users of the discourse.
- ***Asocial discourses***
  - *Statistical inequality*: a widespread and politically influential discourse which represents poverty as a statistical condition, having an income (net cash flow) or expenditure (as a proxy for achieved level of living) less than some specified percentile of the national distribution of incomes or expenditures. Some details of the variants used were given above in Chapter 2. The discourse is widely disseminated and given authority by its use by international bodies both academic such as the Luxembourg Income Study (LIS), economic (OECD) and political (EU). Through the closure which the authority of this widespread and prestigious use gives it this discourse devalues individual and group experience (as well as academic research such as that of Townsend, 1979; Mack and Lansley, 1985; Waldegrave and Frater, 1996) that incomes well above half of some average may be inadequate to reach a society's minimum participation standard as discoverable by social research. This applies to both rich and poor societies. The solution to this kind of poverty, however, is to reduce the range of income inequalities so that no one falls below half the average (which would help but not be sufficient to abolish poverty empirically found occurring at levels above half average).
  - *Economistic*: this discourse describes human behaviour in terms of the formal models of certain kinds of theoretical economics. Human motivation is believed to be based on the maximisation of material rewards through 'rational' choices. Poverty is seen as a failure to make the 'right' choices, sometimes as a lack of effective demand in cash market terms, and caused by 'irrational' behaviour or a lack of

sufficiently profitable productive capacity now or in the past as defined by demand in labour markets. The solutions to this kind of poverty lie in humans behaving in rational ways according to models embodied in these economic theories; in increasing their attractiveness to employers; in calculating their risks rationally and accurately and in saving sufficient for their contingent needs. Insofar as the users of the economistic discourse address questions of minimum incomes, they tend to take some notion of physiological subsistence as the irreducible minimum.

- *Legalistic*: this originated as a German discourse, dating back to the start of the century when the pioneer sociologist Georg Simmel defined poverty as pauperism: the characteristics of those identified as poor by their receipt of public welfare (now social assistance), or by their apparent entitlement to it. Consequently a common German equation is between ‘the poor’ and ‘social assistance claimants’, where the ‘invisible poor’ are those entitled to claim who have failed (through ignorance, difficulty or stigma) to do so. The closure in this discourse devalues the deprivation of those not entitled to claim social assistance, or where an adequate participatory level of living cannot be achieved on the social assistance benefit rates. Simmel himself recognised this, calling such poverty “something which everyone has to cope with and which only colours one’s personal situation in other respects” but he did so in a context in which poverty as pauperism was a “dreadful” situation because “it creates people *whose entire social position is defined by their poverty* and nothing else” (Simmel, 1968, p 373, translated; emphasis added). This identification of poverty with the condition of those *officially* labelled as poor, thus devaluing other forms of poverty, is not confined to Germany and thus justifies inclusion in a list of taken-for-granted assumptions used as discourses. The solution to this kind of poverty is to ensure that everyone gets the benefits to which they are entitled; whether or not the level is adequate for social participation is seen as irrelevant as long as the statutory requirements have been met.

To outline these discourses so brutally in order to distinguish them is not to suggest that people who use one or another necessarily do so in so crude a manner as summarised here. On the contrary, the discourses exist in highly sophisticated and elaborated forms which form intellectually satisfying structures for their users. Some users move easily between them as appropriate to persuade the audience addressed; others find only one

discourse fits their world-view; a few suffer from *cognitive dissonance*, a term for the apparent ability to hold mutually incompatible views simultaneously. Thus one may meet people who discuss poverty research in terms of the statistical or legalistic discourse, while their policy proposals are drawn from some other discourse such as the economic or behaviouristic.

## Conclusion

All studies of social policy towards poor and deprived people reveal the problem that different discourses are dominant in different national traditions as well as within some countries, and often vitiate attempts at productive cross-national discussion. Beside these different discourses the hazards hampering mutual comprehension have included different assumptions about the stratification of minimum standards, both for sections of the population and for levels of the total income maintenance system, and the incompatibility of the purposes for which different participants in the argument have employed disparate discourses or wanted minimum standards at all. For instance, the 1985 British government's abandonment of the legalistic discourse in the calculation of national poverty statistics (using the Supplementary Benefit scales as the basis of the comparison) and its adoption of the statistical inequality discourse (see Oppenheim, 1990) was a straightforward attempt at political closure on discussion about the content of 'official poverty'. It was supported in this move by the EU's adoption of the discourses of social exclusion and statistical inequality, which itself was the outcome of negotiation in which some countries refused to countenance the Union using any discourse which could raise questions about income adequacy and distribution; 'poverty' was a forbidden word (Room, 1995b and Berghman, 1995 touch diplomatically on these events).

This chapter has tried to set out the issues surrounding these disparate factors, so that the findings of the MIS study in the following chapters become more easily comprehensible, and to facilitate debate and policy making on the topic by groups and individuals starting from different premises in terms of these issues.

## Notes

- 1 The Economic and Social Research Council's research programme into *Economic beliefs and behaviour* is producing a stream of empirical findings tending to confirm what sociologists and anthropologists (though apparently not a lot of 'rational choice' economists) have known for a long time: that it is not just material rewards but complex cultural influences and values which seem to motivate real human beings to play their expected roles in society, including work. People enhance

their status and self-image by doing so, and few perceive these issues in narrow cash terms alone (just as 'deprivation' is generally agreed to mean more than simply cash poverty). However, many people talk about these topics using a variety of often conflicting discourses (for instance the claim that money is not important in explaining poverty but of sole importance in explaining work) and the fact that the report refers to them does not endorse their validity. Humans are rational in the pursuit of various ends as well as cash maximisation. Similarly, people rarely explain their own motives in purely economic terms, but often use them to describe the motivation of others, perhaps because that is easier than trying to understand and express the complexities of others' perceptions and lives. The facetious claim that to get the poor to work harder you have to pay them less, but to get the rich to work harder you have to pay them more (tax less) illustrates an amusing paradox apparently without factual foundation: for some rare empirical evidence testing the belief about the effects of a tax cut on the working behaviour of British high earners, see Brown and Sandford (1990).

- 2 For instance, in his extensive studies of the history of perceptions and treatments of mental illness and of crime and punishment, Foucault described how not only the explanatory ideas but even the organisations and buildings were structured in terms of the dominant discourses. This finding applies similarly in the ways in which the institutions of income maintenance are structured and operated. Foucault's observation of the transition from madhouse to hospital could be reflected in the transition from the workhouse to – in Nordic countries with a now-dominant egalitarian discourse of poverty – the local authority's social services department. Other countries have seen less radical change in their dominant discourses of poverty, and thus the way in which Foucault could illustrate a shift may not be so apparent.
- 3 To pose the question 'why do you think *that* is a problem, or a solution?' often reveals the conflict of undisclosed discourses as well as of values in a discussion. The mutual incomprehension between an official whose idea of poverty is a percentile of income dispersion statistics bearing no relation to real social assistance benefits, and a community group which can express its poverty only in terms of the volume and intensity of members' everyday experienced deprivations, can be frustrating to observe.
- 4 Naturally this report is also written from within a conventional discourse – one whose analysis sees poverty as the consequence of the ways in which any society and its economy are structured and acted out; whose methods are based on science; whose values are humanistic and egalitarian (assuming that the interests of *all* humans are *prima facie* to be valued); whose aims are to change the social and economic structures and processes which can be identified as causing and

## *Setting adequacy standards*

*perpetuating poverty; and which takes it for granted that modern states possess the power to raise minimum incomes above the poverty line, even if governments choose not to use it.*

# The Minimum Income Standards instruments in ten countries and their uses

*This chapter describes the instruments in which the MIS were embodied at the time when the ten countries were studied (1992-94) and the uses to which they were then put. The concepts and terms used have been reviewed in the preceding chapters.*

A governmental Minimum Income Standard (MIS) was defined in Chapter 1 as *a political criterion of the adequacy of income levels for some given minimum real level of living, for a given period of time, of some section or all of the population, embodied in or symbolised by a formal administrative instrument or other construct.* This chapter describes the MIS found in each of the ten countries at the time when this study was carried out (the year is noted and changes may have taken place since then, but see Chapter 1 for a discussion of topicality). It reviews the administrative or other instruments used as a MIS in each country, the tiers of the country's income maintenance system to which the MIS related, and its chief uses. Questions concerning the adequacy, stratification and mode of expression of the MIS are considered in subsequent chapters.

## The MIS instruments

The MIS found in the ten countries were very disparate, and comparative analysis and classification is therefore not straightforward. In the following descriptions of the MIS, disentangling the instrument from the minimum standard it refers to, and allocating it to the tier of the income maintenance system to which it relates, are at times matters of individual judgement. Hence to allow readers to assess the judgements made, the descriptions of the range and variety of approaches given here are extended beyond simple tabular classification (Eardley et al, 1996, had similar difficulties with the variety of forms of 'social assistance' in all the OECD countries they studied).

Political change or administrative complexity meant that in some countries at the time of the study more than one form of MIS was in use or had recently been used, usually for distinct purposes. For instance, in the USA, there were several; in New Zealand, one had recently been superseded by another following a change of government. The then Australian government was reviewing its MIS, but no new standard had been put in the place of the two in use. In Germany, a new Federal MIS was being introduced in stages but the third stage had already been suspended under political and economic pressure. The report refers to all the MIS found, since the aim is primarily to illustrate and analyse the variety.

The descriptions are arranged as follows: the countries are grouped according to the conceptual tier of the income maintenance system to which their MIS instrument appeared to relate (see Table 2): that is, to the upper tier of low full-time earnings; in the middle to the 'long-term social security dependency' tier which falls below the earnings levels; or to the 'social assistance', short-term dependency tier at the lowest level. Table 3 shows the arrangement adopted here.

Note that this arrangement into tiers does not pre-empt judgement on the adequacy of the MIS for a minimally participatory level of living. In some countries, the lowest pay does not seem to permit this; in others, even the social assistance level is statutorily obliged to allow it. Naturally without valid comparative evidence it is arguable whether the French minimum wage intended for decent life and placed in the top tier is substantively 'better' than the Australian Henderson Poverty Line (HPL) which is based on a long-superseded minimum wage and placed in the middle tier. The placing of the MIS into these tiers was influenced by the apparent status which they evinced. The question of adequacy is addressed in Chapter 5.

In each case the description of the MIS instrument notes its origins (where relevant information was available during the study) and how the standard is kept up to date, together with its uses. A general consideration of MIS uses follows the descriptions.

### **Rebasing, updating and uprating**

Three distinct activities are identified in this study. The issue of keeping standards up to date is often confused; any part of the standard and its target instruments may change, and neither are the same as reviewing benefit levels.

- *Rebasing*: the reference level of living may change over time, and so the basis of the components in the instrument needs to be reviewed and

renewed if they are to continue to reflect such wider changes. This is analogous to the review and reweighting of the bases of consumer price indices which most countries carry out. The term *rebase* is therefore used here to mean changing the underlying composition of the instrument, for instance changing the dietary or minimum ‘shopping basket’ used in a budget calculation.

- *Updating*: this means bringing up to date the current cost of the instrument base (such as a ‘basket’ of goods or services) in terms of inflation or its relationship with some applicable index such as average earnings.
- *Uprating*: this is used for the different activity of amending the levels of cash income maintenance benefit rates (see Table 2). In this report, updating is used to refer to the underlying standard even when it is incorporated in a benefit instrument which is uprated.

**Table 3: Tiers of income maintenance and MIS instruments/constructs**

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<b>Upper tier: MIS relating to levels of pay</b>	
Belgium	University of Antwerp CSP attitudinal poverty measure
France	Minimum Wage
The Netherlands	Minimum Wage
Sweden	Official budget for ‘reasonable’ level of living
.....	
<b>Middle tier: MIS relating to levels of social security benefit</b>	
Australia	Henderson Poverty Line (HPL) Male Total Average Weekly Earnings index
Finland	Minimum Pension
New Zealand	Basic Benefit Level Universal Benefit (before 1990)
Norway	Minimum Pension
.....	
<b>Lower tier: MIS relating to levels of social assistance benefit</b>	
Germany	Federal recommendations for social assistance levels
New Zealand	Brashares and Aynsley poverty measure (after 1990)
USA	Poverty Thresholds and Guidelines Lower Living Standard Income Level Thrifty Food Plan Median Family Income percentages

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It was notable that in some countries *rebasings* of the MIS had not taken place for decades even though it was often carefully *updated* in terms of the retail price or earnings indices, so that the composition of the standard, though not the cost of that composition, might be largely out of line with current consumption patterns. In other countries, both rebasing and updating took place more regularly. Both methodological activities were often the subject of argument and also of manipulation by politicians or officials anxious to keep public costs down in obscure ways. As noted before, alteration of the levels of income maintenance benefits was a completely separate activity which might or might not map onto changes made in the standards which affected them. The government standard might be updated but no commensurate updating might take place, for political and economic reasons. Some instances of these political aspects of MIS are given below.

## **The three tiers of MIS**

### *The top tier*

#### **Belgium (1994)**

The Belgian MIS was the anomaly in the study: the sole MIS which was itself a scientific poverty measure. The instrument was the University of Antwerp *Centre for Social Policy (CSP) (attitudinal) poverty line*, based on empirical research. While this was described as a poverty measure because it reflected the level of income that people consider they could only “make ends meet with some difficulty”, its authors claimed that it produced income limits much higher than other methods and seemed reluctant to consider it “real” poverty in the sense of leading to social exclusion (Deleeck et al, 1992, pp 37-8). The implication was that the level of living reflected by this measure should be comparable with a higher rather than a lower tier of minimum income maintenance.

Although the CSP measure was academic and in that sense unofficial it seems to have been tacitly accepted as a MIS by the government. This was not because the government respected academic findings more than others do, but because the CSP measure had been devised and used by a politician, Professor Dr Herman Deleeck, Director of the CSP, who for many years was publicly active in promoting adequate minimum income standards and provisions. As a Christian-Democratic Party Senator, Deleeck had introduced a Bill to this end in 1979 (unsuccessfully), and in 1987 chaired the government’s Interdepartmental Working Party on Social Security

Protection for the Most Deprived. Although his report (Deleeck, 1987) did not result in a statutory MIS, his CSP measure achieved political credibility as a national MIS and viable poverty measure (beside statistical measures of income inequality).

At the same time, from 1975 the Belgian social assistance scheme, the Guaranteed Minimum Income (*Minimex* or *Bestaansminimum*), provided indexed benefits set (for a couple) around two-thirds of the collectively negotiated minimum wage, which had statutory force. The social assistance level was not based on anything other than political decision and was publicly acknowledged to be inadequate, but became used as a norm for coordinating some other income maintenance benefits. It has not been treated as a MIS in this study because it lacked a standard, which was instead found in the CSP measure.

### **France (1993)**

The MIS instrument was the *statutory minimum hourly pay rate (SMIC: Salaire Minimum Interprofessionnel de Croissance)*, expressed as a standard weekly wage, assumed to be a 'family wage', and varying slightly by region. The statutory minimum hourly wage rate was originally based in 1950 on a compromise between six proposed minimum subsistence budgets (that is, covering only food, clothing, fuel/hygiene and housing costs) for a working-class lifestyle (Okba, 1986). The food-share element was about half, similar to Rowntree's *Human Needs of Labour (HNOL)* level of 47% in 1937.

Until 1970 the base budget was updated only by changes in prices. The updating formula and name were then changed to include an element for growth in earnings as well as prices, and it was updated to take account of intervening real wage rises; the base appears to have become irrelevant. Price increases over 2% per month could automatically trigger similar monthly *SMIC* increases, while in addition it had to be raised annually by half the rate of increase in manual workers' hourly pay, plus an additional small percentage element depending on the political situation, at the government's discretion.

Note that – contrary to much public rhetoric – it is this *SMIC* instrument which was used as a MIS and not the benefit for the unemployed (*RMI: Revenu Minimum d'Insertion*) introduced in 1988 – though the attraction of novelty in France has led to the *RMI* being increasingly used in comparisons. The *RMI* was merely the lowest national income maintenance benefit, lower than the *SMIC*. The *RMI* embodied no standard of adequacy (and its inadequacy was publicly reported: see below), but this has not prevented some academics from

incorrectly referring to it as if it were the French “legal standard” poverty measure (Deleeck et al, 1992, pp 39, 41, 45).

The *SMIC* was described by an OECD expert, Mahrez Okba, as “the cornerstone of economic and social policy in France ... automatically people say, how many per cent of the *SMIC* is such an allowance?”. The government used it both for wage and tax threshold-setting, and for comparisons of income maintenance benefits as percentages of the *SMIC*. Some benefits were reported still to be indexed on the minimum wage formula which preceded the 1970 reform. The *SMIC* had also been used by the National Statistical Institute (*INSEE*) in 1976 as the basis for counting the poor, defining them as “those who had an income, after social security benefits, below the current guaranteed minimum wage” (quoted in Sandoval, 1984, p 96). This was one of the few references to any cash measure of poverty having been used in France, but it seemed that dependency on the minimum wage was not generally equated with social exclusion.

### **The Netherlands (1994)**

The MIS instrument was the *statutory weekly or monthly minimum wage*, based on the traditional concept of the family wage: that a man (sic) who works for a full week should be paid enough to enable him and his stereotypical family of wife and two children to reach a socially acceptable level of living.

Originally based on national collective wage agreements with possibly some support from budget studies in the postwar era (the evidence was ambiguous), after 1968 the statutory minimum wage developed from the earlier basis updated by either automatic price indexing or through corporative negotiation of increases. Not only price changes but changes in real average earnings were taken into account after 1980. When pre-determined conditions triggered the suspension of the indexing formula, a complicated process of negotiation had to be carried out twice a year on an ad hoc basis by the Social Economic Council (*Sociaal Economische Raad*), a quasi-official tripartite body whose members represented employers and trade unions together with experts nominated by the Crown, and which supervised the trends in the minimum wage. The aim of the negotiations was to achieve a consensus on the right updating figure to adopt, if any, so that the Council could then advise the Ministry of Social Affairs and Employment which took the political decision on implementing the updating factor. Trends in average earnings were a major factor in negotiation. Every four years the government was itself obliged to review the trends in the overall development of the minimum wage, though the question of the base itself had long become irrelevant.

From 1971 onwards, a wide range of social security and related welfare benefits were brought into line with the minimum wage, and directly linked to it. This did not imply identical benefits, but instead complicated formulae converted the gross minimum wage (before tax deductions) to net benefits, partly to ensure horizontal equity between earners and beneficiaries and partly to incorporate some elements of less-eligibility. Modifications were also necessitated by the fact that the minimum wage was a single figure intended for a stereotypical family, while social security benefits were variably adjusted to actual household size and composition. Standard equivalence ratios were therefore used (and adjusted when necessary) to convert from 100% of minimum wage before tax to the various proportions held to be appropriate for different types of household. At the local authority level, means-tested social assistance benefit levels were directly linked to the MIS in 1974 but uncoupled again in the 1990s to give local authorities more autonomy to implement public expenditure economies.

### **Sweden (1992)**

The MIS instrument was the *household budgets for a 'reasonable' level of living* periodically prepared by the National Board for Consumer Affairs (*Konsumentverket*) and used by government agencies as the standard on which to base their provisions such as social assistance.

The 1981 Social Services Act required the social assistance system to “assure the individual of a reasonable (*skälig*) level of living”. Many official attempts were made by Royal Commissions, parliamentary and government committees and by the administrative courts, to explain the meaning and content of ‘reasonableness’. They tended to take a fully social and unstratified view that a reasonable level of living must offer sufficient resources for full independent participation in normal social life, prevent deprivations from arising and combat social exclusion. When reference had to be made to an instrument embodying these standards, it was commonly to the Consumer Board’s budgets.

Two major administrative agencies were commonly identified as setting MIS – the National Board of Health and Welfare’s recommendations to local authorities for setting the level of their autonomous social assistance benefits and maintenance allowances (national standard social assistance rates were envisaged at the time of study), and the National Taxation Board’s ‘existence minimum’ standard until 1991 and its successor, ‘the reserved sum for attachment’.<sup>1</sup> But since both Boards derived their standards (though not the lower levels of their instruments) from the Consumer Board’s ‘reasonable’ budget recommendations, this study took the latter to be the

actual MIS instrument. It should also be noted that an income maintenance indexing system is very widely used in Sweden; since the 1960s many provisions are expressed and updated in terms of percentages of a Base Sum (*basbelopp*). Useful as this is, the Base Sum itself is simply a calculating device and embodies no evaluative standards whatsoever; it is not a MIS.

The level of living of the Consumer Board's budgets was designed for long-term use (including replacements) and "neither minimal nor superfluous consumption" in conventional terms: what in English budget usage is called a 'modest but adequate' standard. The budgets used evidence from empirical studies of Swedish expenditure patterns and social attitudes, together with expert advice on some topics. They were not intended to reflect conventional consumption patterns but to show at what cost typical households of varying size and composition could achieve them; monitoring showed some variation – Swedes in fact spent more on food and less on durables than the budgets calculated. The budgets excluded estimates for certain expenditures (such as housing and transport) as being too variable for average assessment, but did not thereby imply that expenditure on these items was 'unreasonable' or superfluous, and budget users took account of this in arriving at their own recommendations.

The Board's budgets were originally based in 1978 and were reviewed and rebased in 1984; a further review of the base was being considered in 1992. For intervening years the base was updated by price changes. The annual recommendations were passed to government agencies, the National Boards of Health and Welfare, of Social Insurance and of Taxation, each of which made its own adjustments and calculations. The Welfare Board omitted some costs (such as replacements) and treated these and the unbudgeted items as matters for local discretion in the autonomous social assistance administrations. The recommendations were also the basis for estimating maintenance costs for children. Updating of the various annual recommendations were expressed as percentages of the Base Sum and based on political decisions.

The Taxation Board's use of the budgets was as the basis of guidelines to the minimum income from which deductions could be made without detriment to the individual's welfare. The underlying principle of tax thresholds was that after paying income tax an individual should be left with a 'reasonable' income. The same principle also applied to the 'reserved sum for attachment' used by the courts in assessing a person's ability to pay fines, debts and maintenance orders, which should not be enforced on incomes below a 'reasonable' level.

## *The middle tier*

### **Australia (1994)**

Two instruments were in use as MIS:

- The *Henderson Poverty Line (HPL)*: this was originally devised by Ronald Henderson, professor of economics, for academic research in 1966 but endorsed by the Government Commission of Enquiry into Poverty which he chaired in 1972–75, and based on a statutory minimum wage (intended for human decency) plus the family benefits paid to a single-earner couple with two dependent children. Although widely criticised on both methodological and political grounds, it continued in use as a tacitly official MIS since it had widespread political credibility and no acceptable alternative had been proposed. Henderson had explicitly chosen the level of living of the low paid rather than estimates of needs for his original poverty standard because of the central relevance of earned wages to Australian values about the foundations of even the minimum level of living. Note that this was seen as a standard within and not above the poverty boundary: Henderson described incomes on or below this level as ‘very poor’, and incomes up to 20% above it as ‘rather poor’.

The HPL was not rebased but was periodically updated by the University of Melbourne’s Institute of Applied Economic and Social Research. From its inception in 1966 until 1980 it was kept at a constant proportion of the average earnings MIS described below (56.5% in 1966), and from 1980 onwards was updated to keep that base in line with changes in the government’s quarterly Index of Household Disposable Income Per Capita, based not on household surveys but on statistical aggregations of personal incomes. Note that rebasing the HPL was in principle feasible but not considered worthwhile.

- A statistical construct: the Department of Labour’s *Index of All Male Total Average Weekly Earnings (AWE)*, before tax, seasonally adjusted, from all sources but omitting unearned incomes and social security benefits (which accounted for a quarter of all personal incomes). Although the AWE carried no connotations of adequacy in itself, it represented the centrality of male breadwinners’ earnings in setting standards, and percentages of AWE were actively used as political targets for income maintenance and for comparing benefit levels. For instance, in 1969 the Labour Party committed itself to raising the Age Pension for a single person, the level treated as the benchmark ‘standard rate’ for pensions, to at least 25% of AWE and achieved it in 1990. This political target became treated as an

adequate minimum, and several other adult benefits were paid at the same rate; others were compared with it. The benchmark benefit level was itself uprated twice annually in line with changes in the Consumer Price Index. Similarly, benchmark benefits for children were expressed in 1987 as certain minimum percentages of the pension rates for couples, itself set at 167% of the single person's pension benchmark based on the AWE. The children's benefit benchmarks were not simply a statistical adjustment but followed intensive study of the costs of children, the resulting figures being associated with the statistical MIS.

While the AWE was used for calibrating income maintenance benefits, the HPL was widely used by both statutory and voluntary organisations at national and state level both as a MIS and as a guide to equivalence scales.<sup>2</sup> The direct and indirect uses as a MIS included identifying and counting individuals and groups in poverty and making comparisons over time, for analysis and policy making purposes and for evaluating the adequacy of and access to benefits (eligibility and means testing for a range of welfare benefits in cash and kind).

### **Finland (1993)**

The MIS instrument was the *Minimum Pension for an individual* payable from the age of 16 to all who left the labour market on the grounds of disability or age. The lower-tier pension and sickness insurance system (but not the occupational higher tier) was administered not by a government department but by the Social Insurance Institution (*KELA*) whose management board was responsible to Parliament and composed of MPs.

The long-term political objective of the 1954 pension reform was a basic Minimum Pension on which a pensioner could live decently over time without supplementation by social assistance, a concept (though not level) similar to that of minimum pay. It was unclear what substantive base the Minimum Pension may have had, and the political debate was concerned more with the agrarian interest in income security than with purchasing power alone.<sup>3</sup> Statute required the Minimum Pension to be uprated annually at least by a formula based half on changes in retail prices and half on an all-earnings index, though the Cabinet could raise it further. However, the economic recession led to Parliament suspending this automatic indexing in 1994.

A percentage of the Minimum Pension was used as the basis for the recommendations by the Ministry of Social Welfare and Health to the local authorities for setting their autonomous basic social assistance scales, and to the courts for guidance on minimally reasonable incomes. The Minimum

Pension was also treated as an appropriate standard for the pensioners' income tax threshold, though not for earners. From the 1970s until 1984, the proportion of the Minimum Pension recommended for social assistance was 44%, but this was raised in stages to 80% in 1989. The change reflected a move from a narrow subsistence approach covering few components to a broader and more socially inclusive view of the major standard components of a 'reasonable' minimum level of living which the social assistance benefits were statutorily obliged to offer. This also reduced the scope of the autonomy of local authorities in using their discretion over the wider range of customary expenditures, though it naturally remained for further individually variable items such as housing costs. The 80% recommendation was derived from official research into the level of living of lower-income households, to relate social assistance to the level of living of the lowest income quintile of the population.

### **New Zealand (1994)**

From 1972 until the change of government in 1990, the MIS instrument was the *Basic Benefit Level (BBL)* for social security benefits (also known by some writers as the Basic Datum Line). Before losing power the then Labour government had enacted legislation to replace this by a Universal Benefit with a core rate which would have acted as a MIS base, but the incoming National government cancelled it before implementation.

More than in other countries, the approach to MIS taken by New Zealand governments was to express a clear principle of participatory adequacy but to fudge implementation at times of economic difficulty or political disagreement. The approach was expressed by two important Royal Commissions, on Social Security (1972) and on Social Policy (1988):

**Our conclusion that 'belonging and participating' should be the aim of income maintenance policy shifts the problem of determining benefit levels away from that of trying to measure poverty to that of trying to measure what standards of living are in fact enjoyed by people in the market sector.... Value and political judgements will still be needed to decide what basic level of benefit is 'adequate'.... The most useful single indicator at present appears to be some wage level which provides the standard of living of families in the non-dependent or market sector. The benefit level can be measured against this wage level. (NZRCSS, 1972, pp 128-9).<sup>4</sup>**

The Warrant setting up the Royal Commission on Social Policy in 1986 required it to observe

**... a standard of living sufficient to ensure that everybody can participate in and have a sense of belonging to the community; and a fair distribution of the wealth and resources of New Zealand including access to the resources which contribute to social well-being. (NZRCSP, 1988a, p vi)**

The Commission considered that the achievement of benefit levels adequate for participation required them to be “maintained in some more or less constant relationship to general income levels, and that the gap between the two should not be excessively large” (NZRCSP, 1988b, p 13). The Treasury view of this is considered in Chapter 6 below.

To implement this principle, the 1972 Royal Commission recommended the use of either of two earnings yardsticks which gave similar results: the weekly minimum wage rates, net of tax, for building and engineering labourers (neither the highest nor lowest occupational minimum) or the lower quartile of adult male net earnings. The BBL was for a couple and set at 80% of either of the two yardsticks (a single person was 60% of the couple rate), and this was in general the MIS for the chief social security benefits from 1972 to 1991. However, superannuation and taxation changes in the late 1970s left the MIS most directly relevant for unemployment benefits.

Rather than a formula for updating the BBL, the 1986 Royal Commission recommended that the government review the level in the light of annual changes in levels of living. In practice, the BBL seems to have been updated in line with prices rather than earnings until the mid-1980s. Erroneous use of a gross yardstick resulted in pensions rising faster than net earnings and led to controversy. In 1988 the government decided to rationalise the diverse social security benefits into a single comprehensive Universal Benefit system based on a core rate as MIS instrument, calculated for the individual. The core rate and all its complex associated elements were to be updated annually by a formula triggered by consumer price changes but held within a band between 32.5 and 36.25% of average net ordinary-time weekly wages (a couple’s rate would have been between 65 and 72.5% of average wages). Important as this is to the consideration of potential MIS, the Universal Benefit was not implemented and the MIS for unemployment benefits apparently introduced from 1991 is described below. However, the BBL basis seemed to have been largely retained for pensions (see Stephens, 1992).

### **Norway (1992)**

The MIS instrument was the *Minimum Pension for an individual*, payable to an individual whose previous earnings (if any) were insufficient to give entitlement to earnings-related supplements above the Minimum Pension level. Since its introduction in 1967, the Minimum Pension was required by law to provide a 'reasonable' (*rimelig*) level of living, taking into account trends in the general levels of welfare as reflected by disposable incomes and prices. The Minimum Pension was itself composed of two unequal elements, Basic and Special Supplement. The Basic Pension equated to an indexing factor, the Base Sum (*Grunnbeløp*) widely used in calculating income maintenance provisions, equivalence scales and earnings contributions, many directly calibrated on it.

Although Norwegians were reluctant to acknowledge a minimum standard, the level of the Minimum Pension was used as the MIS for a wide range of national social security benefits, and as the basis of government recommendations to autonomous local authorities for setting social assistance rates and means tests for variable social service charges. It was also used by local authorities themselves as a basis for comparison and guidance in setting their own benefit rates. Over the past decades the central government view of the appropriate proportion of the Minimum Pension which local authorities should take as 'reasonable' in setting social assistance rose to 85%, though this was contested and subject to appeal. It became widely accepted as a yardstick, and was also the proportion taken by the 1993 Bankruptcy Act as defining the minimum income level below which debt repayments could not be enforced.

The Base Sum, and therefore all the elements related to it, was adjusted annually by government, but the real value at times fell as well as rose. The Special Supplement element thus became politically significant in determining total Minimum Pension level; it was adjusted annually following formal consultations with recognised pensioners' organisations as well as in parliamentary committees, and in 1992 was 60.5% of the Basic Pension. The original base of the Minimum Pension had been set arbitrarily, above the inadequate superseded pension system, so that subsequent negotiation over uprating focused less on base and factors than on current political views of adequacy. Until 1991 these were retrospective, keeping the Minimum Pension in line with past movements in prices and nationally negotiated earnings, but because of delayed effects a change to prospective trends was envisaged.

## The lower tier

### Germany (1993)

Each year the Federal government issues *advisory guidelines to the autonomous Länder for setting the latter's social assistance rates*. The 1961 Federal Social Assistance Act required benefits to be set at levels which conform to “human dignity” (*Menschenwürde*), tempered by a statutory “prohibition on proximity” (*Abstandsverbot*) between benefits and low pay: a ‘less-eligibility’ requirement.

Until 1990 the Federal government guidance was based firmly on normative budget calculations for a minimum decency standard, implicitly working-class, carried out since early in the century by a quasi-independent organisation, the German Association for Public and Private Welfare (*Deutscher Verein für öffentliche und private Fürsorge*). Because of dissatisfaction with the ‘high’ costs that this obliged the Länder to incur from the 1970s onwards, a prolonged technical and political enquiry into a ‘better’ foundation for the budgets led the Federal government to base its guidance from 1990 on a statistical construct derived from the national Income and Expenditure Sample Survey (*EVS*). The political aim was to avoid constant argument about what was seen as the ‘generous’ composition of the prescribed budget’s minimum ‘shopping basket’, and instead to base the budget components on survey findings about the actual expenditure items (omitting ‘inessentials’) of comparable reference groups of low-earning households, items which could be costed automatically through the annual retail price index surveys. The reference groups for each type of household composition were identified as average households with earned incomes about 20% above the benefit rates of comparable households dependent on social assistance (Deutscher Verein, 1989).

This instrument preserved a ‘less-eligibility’ margin, and although possibly tautologous<sup>5</sup> might have achieved its objectives. However, implementing the three-stage introduction of the new system during the economic crisis following the reunification of Germany turned out to be far more expensive than envisaged, and for political reasons the third stage was not implemented in 1993, thus abandoning the rationale of the MIS.

The widespread use of the legalistic discourse of poverty in Germany, in which social assistance was used to define the boundaries of poverty and the poor, meant that this MIS was widely used wherever poverty needed to be defined or to identify and count the poor. It was used as the criterion of minimum incomes for tax thresholds and of the income levels below which the courts could not make orders for attachment of earnings or debt repayments.

### **New Zealand (1994)**

Following government change in 1990 several income maintenance benefits were cut. No government rationale for the lower benefit rates was offered, but independent experts found that from 1991 the unemployment benefit levels equated to *minimum subsistence budgets*, adjusted for inflation, recommended to the government by Edith Brashares, a US Treasury consultant on social security (with M. Aynsley: see Brashares, 1993). The recommendations were thus unofficially assumed to be the new but tacit MIS in the Treasury and Department of Social Welfare (see Stephens, 1992).

In her statement of aims, the incoming government's Minister of Social Welfare abandoned the previous participation basis for income maintenance mentioned above and referred instead to self-sufficiency, individual responsibility and combating dependency. The consultants reported that the previous social security benefit levels seemed relatively high and minimum subsistence provided a 'absolutist' rationale for reducing them. Their subsistence approach was derived from the American Orshansky Poverty Line (OPL) (see the USA, below), calculating a minimum dietary, costing it and multiplying the food share by a factor to cover total household income needs. The basic dietary was prepared by the University of Otago in New Zealand and cost a similar amount per person as spent in prisons in 1989, multiplied by a food-share factor of four.

### **USA (1994)**

Five MIS instruments were in use at the Federal level (the study did not cover State MIS), four based in different ways on household or food budgets designed for low levels of living. The *Orshansky Poverty Line (OPL)* measure was the basis of two instruments (1) the *Census Bureau Poverty Thresholds* and (2) the *Department of Health and Human Services Federal Poverty Guidelines*. Two other instruments were (3) the *Bureau of Labor Statistics Lower Living Standard Income Level* and (4) the *Department of Agriculture Thrifty Food Plan*. In addition, a statistical instrument, *percentages of local area median family incomes*, was used to determine low-income eligibility for certain housing benefits.

The proposal for an improvement in official poverty measures which Mollie Orshansky, an economist in the US Social Security Administration, made in 1965 is among the internationally best known MIS. It took a 1950s dietary designed for only short-term or emergency use and multiplied its cost by the 1955 average food-share factor of three, producing a minimum annual income for a stereotypical four-person household close to the President's Council of Economic Advisers' 'guesstimate' figure of \$3,000

(Orshansky, 1965). The government's War on Poverty used this OPL formula for statistical, planning and budgeting purposes and in 1969 it was adopted as the official Federal statistical definition of poverty. In spite of major subsequent changes in American consumption patterns and incomes it was never rebased but updated only by the consumer price index. It achieved iconic status, a political symbol unrelated to current real-life deprivations but representing a constant though relatively declining reference level (see Fisher, 1992). Repeated reviews have questioned its status (for instance Ruggles, 1990; Citro and Michael, 1995) but it appeared to be too embedded in US political life to be amenable to change.

The OPL was the basis of two Federal MIS noted above: (1) the Poverty Thresholds, the current precise cash level of the OPL; (2) the Federal Poverty Guidelines, an administratively simpler (rounded) version of the Thresholds. Common references to 'the US official poverty line' are correctly to the Thresholds and wrongly to the Guidelines. The Thresholds were used for census statistical purposes and for a few income-eligibility tests, though most of these were based on the Guidelines. Percentages of the Guidelines (often over 100%) were used to define low-income boundaries or identify target groups for a wide range of services, especially in health, nutrition and training. The administrative modifications and applications of the MIS were complex.

Parallel with these forms of the OPL were two further MIS. For decades the Department of Agriculture calculated 'Food Plan' dietaries at four levels (Orshansky used the lowest available to her). The plans were based on survey evidence of actual food consumption patterns, modified to meet nutritional and cost goals reflecting the food expenditure of families at the lowest income decile. The plans were last rebased in 1983; price updating was monthly. This MIS was used with the Poverty Guidelines to administer the Federal Food Stamps, described as the only truly national social assistance programme in the USA. For example, a family was eligible for Food Stamps if its income did not exceed 130% of the Guidelines, but the quantity of Food Stamps it could get depended on the relationship between its net income and 103% of the Food Plan cost for that size of family.

The other Federal MIS was the Bureau of Labor Statistics' family budgets, published intermittently as policy guides since 1911. The last rebasing was of the Moderate Living Standard budget in 1967; Higher and Lower Living Standards were not different budgets but simply percentages of the Moderate cost, though the Lower Standard came to be used as an alternative to the OPL. A review in 1980 recommended rebasing the standards (Watts, 1980) but the government refused on economy grounds; updating since 1982

reflected inflation since the 1967 base. Percentages of the budget standards were widely used as MIS in a range of public and private employment (including defining some low pay and 'economically disadvantaged' persons eligible for training programmes), tax and assistance contexts and for comparisons of living costs over time and between areas.

## **Conclusions: the uses of MIS**

These reports show that the MIS were used by national governments, and sometimes by other official bodies at national and local government or administrative levels, as well as by non-governmental organisations in some countries, and that they were used for three broad purposes: (1) as guidelines for setting levels of the income maintenance system's benefits; (2) as criteria of the adequacy of income maintenance; and (3) as measures for identifying and counting the poor.

Countries varied in the extent to which they used their MIS for one or more of these purposes, and the concluding section summarises this information. The heading 'guidelines' includes the range of government uses from directly determining the levels of income maintenance benefits through to offering guidance to, for instance, local authorities which they could apply variably at their discretion to local conditions as seemed politically or administratively appropriate. Even under the latter flexible conditions, the proper use of discretion in applying the minimum standard was subject to adjudication by the courts. The MIS were thus treated as purposive national government tools; the standards were open and obligatory even where precise implementation varied. In some countries, people simply used the MIS as a taken-for-granted standard of minimal income adequacy.

### *Guidelines towards levels of income maintenance*

- *Australia:* (1) the Henderson Poverty Line (HPL) was used as a benchmark for the calibration of a range of means tests for housing and welfare benefits by national and local official and non-governmental sector organisations. (2) Bands of percentages of the index of Male Total Average Weekly Earnings were used as targets for setting the levels of the Age Pension and certain other benefit rates.
- *Finland:* the government used 80% of the Minimum Pension as guidance to local authorities for basic social assistance rates required by statute to offer a 'reasonable' level of living. The Minimum Pension was also treated as a tax threshold for pensioners.

## Setting adequacy standards

- *France*: the Statutory Minimum Wage (*SMIC*) was the normative basis for comparisons of other income maintenance provisions expressed as percentages of it, and some benefits were indexed on an earlier version of it.
- *Germany*: the Federal government's MIS guidance was used by Länder for setting their social assistance rates.
- *The Netherlands*: the Statutory Minimum Wage directly determined (via formulas to provide for differences between household needs and the effects of taxes and equivalences) the various minimum levels of a range of social security benefits, and acted as guidance for (though it did not determine) the level of local social assistance benefits.
- *New Zealand*: (1) the Basic Benefit Level formula was originally used to set most of the chief social security benefits from 1972 (after 1977 chiefly only for unemployment benefits); the proposed Universal Benefit would have covered the chief benefit rates. (2) The Brashares and Aynsley minimum subsistence measure appears to have been used in setting the unemployment benefit rates after 1991.
- *Norway*: the Minimum Pension was statutorily required to be 'reasonable' and determined the levels of benefits for survivors, the disabled and lone parents, and was the basis of a range of means tests for social service charges. Government guidance to local authorities was that the basic level of social assistance should be set at not less than 85% of the Minimum Pension. The Base Sum indexing factor used in setting a major component of the minimum pension was not itself a MIS but was used in setting eligibility and benefit levels for a wide range of income maintenance provisions and for regulating their values.
- *Sweden*: the Consumer Board's household budgets for a 'reasonable' level of living were used as the basis of two income maintenance provisions: (1) the National Board for Health and Welfare's guidance to local authorities for social assistance rates. (2) The National Taxation Board's guide to income levels below which the courts could not make orders for attachment or costs.
- *USA*: (1) The Census Bureau Poverty Thresholds, the current value of the 1965 Orshansky Poverty Line (OPL), were used as the basis of the Federal Poverty Guidelines and for some income eligibility tests. (2) The Federal Poverty Guidelines were used to set the income levels of eligibility for Food Stamps and a number of other programmes. (3) The Department of Agriculture Thrifty Food Plan was used to set maximum

levels for the values of Food Stamp benefits. (4) The Median Family Income measures were used to set local eligibility levels for certain Federal income-tested housing benefits.

### ***Criteria of the adequacy of income maintenance***

- *Australia*: the Henderson Poverty Line (HPL) was used as a standard of minimum adequacy for social security benefits and as a guide to equivalence scales in eligibility and means tests.
- *Belgium*: the University of Antwerp Centre for Social Policy's (CSP) attitudinal poverty measure was tacitly accepted by the government as a valid criterion of adequacy (though it was not accepted as a target).
- *Finland*: other income maintenance benefits were compared with the Minimum Pension.
- *France*: the minimum wage (*SMIC*) was commonly used to evaluate minimal adequacy.
- *Sweden*: questions of adequacy were referred back to the Consumer Board budgets.
- *Norway*: local authority benefits often treated the Minimum Pension level as a comparator.
- *Germany*: the Federal recommendations for social assistance levels were treated as criteria of minimum incomes for tax and legal purposes.

### ***Measures for identifying and counting the poor***

- *Australia*: the Henderson Poverty Line (HPL) was used by the Government Commission of Inquiry into Poverty (1972-75) for counting the poor, to identify individuals and groups in poverty for policy programmes and for analyses of the causes of poverty.
- *Belgium*: the University of Antwerp Centre for Social Policy's (CSP) attitudinal poverty measure was used in academic research to count the poor and analyse poverty.
- *France*: the *SMIC* had been used in 1976 as the basis of a definition of poverty for statistical purposes.
- *Germany*: the social assistance rates were widely used in research to define and count the poor.

## Setting adequacy standards

- *USA*: (1) The Census Bureau Poverty Thresholds were used for identifying and counting the poor in the USA. (2) the various MIS were used to identify individuals and groups eligible for a wide range of benefits and services in kind.

Most of the countries studied did not use their MIS as tools for identifying and counting the poor, usually because they did not recognise their MIS as definitions of poverty. But three of these MIS were described as 'poverty lines'. The Belgian CSP standard met the criteria (outlined in Chapter 2) for empirical poverty measures, though the Australian and US constructs did not. The Australian HPL was designed around a minimum pay award which was itself not based on adequacy criteria, while the US OPL was a completely artificial construct lacking any independent validation as socially adequate. In the Australian context of earnings as the basis of concepts of income adequacy or the American economic discourse, both of these MIS had been treated as in principle viable 'poverty' measures, even though at the time of the study both were the subject of considerable reservations on the grounds of basis, method and level and were undergoing official review (ADSS, 1995; Citro and Michael, 1995).

### Notes

- 1 'Attachment' is a term for legally withholding part of a person's earnings in order to pay liabilities.
- 2 See Appendix B (p 127) for a discussion of equivalence scales. It is odd that the HPL's scales were used as a guide, since they were designed for low-income families and were widely criticised as inappropriate as they had been adapted from the Community Council of Greater New York's 1954 Family Budget Standard. However, a major Department of Social Security international review of some 60 equivalence scales concluded that none performed well in all respects and the HPL version performed no worse than others (see Whiteford, 1985, in the references on equivalence scales, p 132).
- 3 The agrarian interest was politically very powerful in Finland. Farmers' and smallholders' incomes came from resources in kind as well as in cash and the security of the cash element from pensions were asserted to be politically more salient than the adequacy of its cash levels alone might have been in urban market contexts.
- 4 Note that minimum wages were collectively set at well above minimum decency levels.
- 5 Assessing adequacy in terms of a measure based upon itself. Whether or not the actual levels of living of low-paid working families achieved German standards of human dignity was an unexamined question.

## The adequacy of Minimum Income Standards

*This chapter reviews available evidence on the adequacy of the MIS for participatory or other levels of living, drawing on concepts outlined in Chapters 2 and 3.*

In what senses can the MIS be described as ‘adequate’? The four key questions about adequacy were reviewed in Chapter 2: whether the words ‘adequacy’, ‘sufficiency’, ‘enough’ or even ‘needs’ are used, the questions remain – for what? for how long? for whom? and who says so? The last question is often the most politically important, since a government could consider its minimum standards ‘adequate’ in political terms, however low, if they met government objectives and were tolerated by politically significant public opinion.<sup>1</sup> This appears to be the British situation. But if the criterion of adequacy is the demonstrable satisfaction of a standard of living and not government complacency, that still leaves the question of what level of living the standard refers to. Unless otherwise stated, the implied meaning of ‘adequacy’ here as throughout this report is the satisfaction of human social needs: demonstrably enough income for social participation and the avoidance of exclusion. Most countries lacked such scientific evidence of minimum income adequacy against which to assess the MIS. This chapter reviews evidence<sup>2</sup> of whether the MIS met their aims of relating to the levels of living of the income maintenance tiers or ideas of stratification.

Statistical comparisons between the MIS level and average incomes might have been suggestive, but are subject to two major reservations which prevent their use here: (a) as noted before, without independent empirical evidence the statistics cannot reveal if any specific proportion of the average income – half or two thirds, for example – is adequate for the prevailing minimum level of living; (b) to be reliable as comparisons statistical data need detailed calculation beyond the scope of this study. Instead, it reports on how adequacy was perceived, which may be more politically salient.

The most striking finding was that few conceptions of adequacy in MIS were expressed in terms of minimum human needs; almost all were framed in social terms – the levels of living experienced by earning families in a country, or ideas of decent levels of living which ought to be provided to every citizen unable to work, for instance old or disabled people. The ideas of adequacy were often based on open political negotiation and not imposed dogma. Once again, the finding reinforces the point that ideas of minimum subsistence needs or social assistance systems are very misleading when considering how other countries conceptualise MIS or how the UK might do so. In spite of decades of attempts by academics such as Peter Townsend to relativise the concept, British political poverty discourse still focuses on ‘the poor’ and prescribes their minimum needs. This study shows that this limitation cannot be politically inevitable, as governments in other countries were aware that comparisons derive from wider social values and experiences.

### **Ideas of adequacy underlying MIS**

Three principal approaches were distinguishable, even if in practice there was some overlap and some countries used more than one approach:

- To take the *rewards of the labour market* as setting the minimum adequacy standards. Governments either set those minimum rewards themselves, perhaps after negotiation, or used them simply as the comparative criteria. This group included Australia, Belgium, France, The Netherlands and New Zealand (before 1990).
- To let the labour market set its own levels but the government based the adequacy of non-work income maintenance provisions (social security and assistance) on other *conventional social living standards* statutorily described as ‘reasonable’ or ‘corresponding to human dignity’. This group included Finland, Germany, Norway and Sweden.
- To construct the minimum standards in *some other way*. The US and similar (after 1990) New Zealand budget approaches to defining minimum income adequacy fell into this group, as did the US median family income measure.

### ***MIS based on the assumed adequacy of average or working lives***

Many MIS referred in some way to the levels of living of those who were in full-time work, those whose experiences set the standards for the achievable participatory levels of living in that society at that time. The

underlying assumption was that it was right, not merely expedient, to take the levels of living offered by the rewards of the labour market as the standard. The New Zealand Royal Commission's 1972 expression of this principle was quoted in Chapter 4. Further, these rewards should themselves be adequate. Dutch Social Economic Council (SEC) staff suggested that setting the Statutory Minimum Wage at decency levels was a principled implementation of everyone's freedom to choose suitable work instead of being forced by poverty to take unsuitable work, though they added the Dutch debate was coming to consider the collective costs of protecting this freedom.

The MIS in four countries – Australia, France, The Netherlands and New Zealand – were based on or referred to measures of average, negotiated or statutory minimum pay levels. Even in Germany, classified in the next category, the MIS was derived from the level of living of low-paid workers, taken as a standard of minimum adequacy. The Belgian (tacit) MIS was itself based on the whole population's views of minimum adequate incomes, while the American Federal MIS based on median household income measures implied the validity of the average as a source of standards (though avoiding judgement about the degree of divergence taken as the boundary).

In Australia, The Netherlands and New Zealand the original statutory minimum wage rates were based on the idea that they should be adequate for social participation by families dependent on a single breadwinner. Although the original bases had long since been superseded as irrelevant, the idea was reported to remain deeply embedded in national values. In both the Antipodean countries, minimum wages historically referred to the Harvester Judgement by an Australian Arbitration (industrial relations) Court in 1907, which laid down that minimum wages should cover “the normal needs of an average employee regarded as a human being living in a civilised community”.<sup>3</sup> The normal needs envisaged were for an unskilled labourer's family of five persons. The Australian MIS continued to refer to earned incomes, though the connection with family needs became implicit. The Henderson Poverty Line (HPL) of 1966 was explicitly based on a (Melbourne) minimum wage because of the centrality to Australian values of earned wages rather than estimates of minimum needs. The New Zealand Basic Benefit Level was based from the 1972 Royal Commission on Social Security to 1991 on a relationship with certain minimum wage rates in order to reflect participation in the level of living of working families. The Dutch Statutory Minimum Wage was also originally based on a similar conception of the male family wage in the postwar period, and although the base had long since been superseded, the principle was reiterated in

1966: that everyone who depends on employment to support a family should be guaranteed an income sufficient to reach a socially acceptable level of living. So – omitting Belgium, which was adequate by definition – how adequate were these countries' MIS?

### **Australia (1994)**

The index of Average Weekly Earnings was no basis for adequacy considerations in itself, but the Henderson Poverty Line (HPL), although widely criticised for its age and methodological flaws, compared well with other adequacy indicators. A survey using Leyden and Antwerp attitudinal questions (Saunders and Matheson, 1992) derived empirical poverty lines found to differ from the HPL chiefly in assumptions about the economies of household size. A comparison table drawn up by Department of Social Security officials in 1994, using a range of 'poverty lines' (including budget and statistical median measures) for a stereotypical working couple with two children, showed that the HPL was higher than both the University of York Family Budget Unit's Low Cost Budget and half of median household income for this kind of household. The HPL for non-working families was somewhat lower, but still above the budget and below actual social security benefits. This suggested that the HPL stood up well to comparison as adequate for this household type, and it was above the half-median for all household types except larger families.<sup>4</sup>

### **France (1993)**

The original basis of the Statutory Minimum Wage in 1950 was a socially inadequate subsistence budget compromise, described as being a little above the 'Human Needs of Labour' (HNOL) poverty measure which Rowntree used for his survey of York in 1951 and "based on the minimum needs of a single worker" (Lion, 1984, p 112 – though as *SMIC* was described as a "family wage" this may have been a mistranslation of the needs of 'a family' maintained by a single earner). The six minimum subsistence budgets proposed by the trade unions and employers did not reveal the size of family they aimed at (Okba, 1986, p 39), a common problem with this approach, though the payment of additional benefits for children may ameliorate it. But in this as in other countries the original base of the MIS had long become irrelevant to the question of whether its mode of updating (including aspects of average earnings trends since 1970) and level related it to current social adequacy standards, and answers were not reported to this study. It was

nevertheless quoted as being widely used as a simple criterion of the adequacy of other benefits.

### **The Netherlands (1994)**

Poverty research suggested that up to 1985 the Dutch population's subjective poverty line was below the MIS (Goedhart, et al, 1977, pp 515-16; Muffels et al, 1990, p 33) but by 1988 about twice as many people were poor by empirical measures than by social assistance standards (Berghman and Dirven, 1991, pp 20-1). This does not, however, reveal how far below social adequacy the MIS fell; the SEC's biannual review by its tripartite membership and the MIS requirement of social adequacy may have provided some protection at the policy making level.

### **New Zealand (1994)**

The Basic Benefit Level (BBL) MIS took account of minimum wages or male earnings. Minimum wage legislation in 1936 required adult men's basic wage rates to be sufficient "to keep a wife and three children in a fair and reasonable state of comfort", later taken to mean "as measured against the current way of living of ordinary people" (quoted by Woods, 1963, pp 138, 142; note that three children was more than average at the time). The broad relationship between statutory minimum wages and BBL social security rates for a couple had fluctuated widely, but in 1991 they were about the same.

### ***MIS based on government obligations to offer 'reasonable' or 'dignified' benefits***

The governments of all four countries in this group – the three Nordic countries of Finland, Norway and Sweden, plus Germany – were subject to statutes which laid down that the standards either of their MIS, or of income maintenance benefits related to it, had to be sufficient for decent levels of living as defined in fully social terms. All three Nordic countries used terms translated as 'reasonable': Finland for social assistance, Norway for the Minimum Pension, and Sweden for the MIS budget as well as benefits related to it. German social assistance statute required benefits to meet the requirements of 'human dignity'. In each country, the practical current meaning of the statute was subject to appeal and adjudication through the administrative and legal systems, and was therefore the subject of constant open debate. What evidence was there that statutory requirements were met?

### **Finland (1993)**

Although there have been several poverty surveys, this study did not find material reflecting the adequacy of the MIS as such. Some reported that pensioners had been at high risk of poverty in the 1960s and by 1990 virtually none were poor (for example, Jäntti et al, 1996, p 484), but this seems to have been in terms of statistical inequality measures as there were no measures of income adequacy for use. Heikkilä's survey of poverty during the 1980s (before the economic crisis) could not find an income threshold between adequacy and high risk of deprivation, probably because effective social policies made lack of income alone less important as a source of deprivation (Heikkilä, 1990, p 245).<sup>5</sup> Heikkilä found that social assistance recipients did not necessarily have very low incomes but they did have a higher accumulation of social problems and deprivations. Sipilä's review of the different Finnish poverty studies argued that many social resources in specific life-situations must also be assessed, and concluded that the situation was complex and equivocal (Sipilä, 1992). Some evidence that the Minimum Pension might be adequate could be drawn from the reported low rate of its supplementation to 'reasonable' levels by social assistance, but this was qualified by evidence of non-take-up by eligible claimants (single parents had much higher rates of supplementation, suggesting they were otherwise cash-deprived).

The level of the Minimum Pension was subject to discussion and review in Parliament annually, where the high degree of political consensus required for decision taking by the Finnish political system would have ensured that social adequacy remained a major issue.

### **Norway (1992)**

The most significant guarantor of the adequacy of the Minimum Pension was the involvement of two umbrella organisations of pensioners, representing the disabled and the old, in an agreed annual process of consultation as members of a parliamentary Joint Committee which also included trade union representation. As in the other Nordic countries, the high degree of consensus expected in policy-making, involving extended processes of discussion and amendment and the parliamentary power to disregard the regulations if the required outcome could not otherwise be reached (Hatland, 1986, pp 101-2), ensured that issues of adequacy raised from any quarter were constantly reviewed. The Joint Committee aimed to reach agreement on what changes in the general level of living were to be used as criteria in the processes of amending the levels of the two components of the Minimum Pension.

Apart from this process of discussion, there seemed to have been no evidence of the population's own minimum standards. In 1984 the government had commissioned its agency, the National Institute for Consumer Research (*SIFO*), to calculate household budgets as a basis for social assistance rates. Unwilling to 'prescribe for the poor', *SIFO* amended the commission to cover indicative budgets for a range of social transfer payments including the Minimum Pension. The standards used were based on what evidence suggested would be the lowest level of living which ordinary Norwegians would find reasonable for themselves (Borgeraas, 1987). While that continued to be debated, budget comparisons in 1989 suggested that the MIS was adequate for pensioners without cars.

### **Sweden (1992)**

In 1985 Statistics Sweden carried out a sample survey asking respondents what income level from social assistance and other sources households needed in order to make ends meet. The estimated minimum incomes at that time were significantly higher than the budget recommendations and social assistance levels (Aguilar and Gustafsson, 1988, p 261). A survey in 1992 using both Leyden attitudinal questions and deprivation indicator methods found that by the attitudinal measure 21.3% of households were poor, though only 8.8% of households were both seriously deprived and had attitudinally low incomes (Halleröd, 1995a).<sup>6</sup> Complex calculations to compare social assistance rates with the attitudinal measure suggested that social assistance was inadequate except for large families (Halleröd, 1995b). As noted, the official interpretation of what was a 'reasonable' income level was the subject of constant appeal, review and debate in legal and political contexts, which may have acted as a stimulus to keep it in line with prevailing public values about benefit rates even if not attitudinal poverty.

### **Germany (1993)**

Until its suspension in 1993, the revised German MIS was based on the living standards of households in full-time work but earning only some 20% above the levels of the current social assistance rates. Whether this level of living or the lower MIS were compatible with human dignity is naturally a matter of judgement. The only German poverty survey based on both deprivation indicator and attitudinal approaches (which correlated in most relevant respects) found that only one fifth of social assistance claimants were poor in terms of lacking three or more (out of 15) socially defined necessities, about twice the rate for the whole population (Andress

and Lipsmeier, 1995, pp 47-8), though well over half of claimants had incomes below the half-average statistical measure (about one tenth of the whole population). Of the whole population, around 20% had incomes below the attitudinal boundaries but only 16.2% had incomes below the social assistance rates, implying that the MIS level must have been somewhat below the attitudinal minimum income (Andress et al, 1996, p 120).

### ***MIS based on a minimum budget or statistical construct***

#### **New Zealand (1994)**

The basis of the Brashares and Aynsley minimum subsistence post-1990 Treasury MIS has been outlined above. It was criticised from within the Department of Social Welfare on both methodological and social relevance grounds (Sinclair, 1992). Treasury comparisons of low-income measures for individuals in 1990 showed the subsistence budget below the half-median level; 1991 calculations based on focus group attitudinal responses suggested that the minimum adequacy level would fall at around 60% of median equivalised household expenditure (Waldegrave and Frater, 1996, p 178). The implication is that this MIS was probably socially inadequate.

#### **USA (1994)**

No one claimed that the Orshansky Poverty Line (OPL) and its associated measures, the Poverty Thresholds and Federal Poverty Guidelines, were adequate for social life. A large body of empirical evidence existed that families living at OPL levels were multiply deprived by both expert and conventional standards. Many attempts to revise a minimum budget basis had been made; all reached much higher levels (reviewed in Citro and Michael, 1995). Attitudinal surveys of adequate income in the 1980s suggested that the minimal adequacy level was around 150% of the Thresholds (Schwarz and Volgy, 1992, pp 38-41). Questionnaire wording naturally affected responses: estimates of the minimum family income needed 'to get along' in 1979 averaged 205% of the Thresholds, with 'making ends meet' at 158% (calculated from Danziger et al, 1983, p 10), and in 1989 'getting along' averaged 173% of the Thresholds (O'Hare et al, 1990, pp 18-19). The US population seems to have considered the OPL an inadequate MIS.

The adequacy of the Thrifty Food Plan was also questioned. Its last rebasing review, in 1983, showed costs a quarter more than before. The government rejected this because increased benefit rates would result, and

the revised food components were instead ‘thinned down’ to keep costs constant. The Lower Living Standard Income Level was recommended for rebasing by its last review (Watts, 1980), but this, too, was rejected on government economy grounds and the 1967 base remained, updated only for inflation. It is doubtful if either of these budget constructs reflected current social adequacy standards.

Finally, the Median Family Income measures which defined low eligible incomes typically as between 80 and 50% of local medians, and half-median as ‘very low income’, were simply statistical constructs which carried no connotations of adequacy in themselves. By contrast with the four constructs above, however, they had the merit of using changing levels of living as the basis of the MIS rather than outdated constants irrelevant to normal social life.

### **Adequacy for whom? The stratification issue**

For whom were the MIS adequate? Were they intended to be adequate for everyone in society or did they reflect an implicit or explicit social stratification of what would be considered minimum standards, treating the MIS as adequate only for some lower stratum, ‘the workers’ or ‘the poor’? The answers to these questions did not fall into the three divisions reported above, but into a different pattern which raises further relevant issues about the national meanings of MIS for those who work within different discourses or start from different taken-for-granted assumptions. For example, reference to minimum wages did not necessarily mean stratified standards, nor did divisions necessarily fall between income groups – as is often assumed. Table 4 summarises the different approaches.

Most of the material in this study which led to this classification has already been outlined above. As before, the issue touches on questions of national social values and political cultures too vast to treat here, but the following points were offered in the course of this study.

#### ***Unstratified MIS and expectations***

The three Nordic countries in this category all shared the social characteristics of relatively small-scale and largely culturally homogeneous societies. Whatever the statistical realities of inequalities of incomes and wealth (which certainly existed), their public perceptions and aspirations were based on egalitarian values. Interviews repeatedly emphasised the political as well as social importance of reaching consensus on minimum standards between all the different interests and acceptable to the whole of

each country's population, not to the political elites or urban middle classes alone. That did not mean there were no social divisions, but they did not necessarily exacerbate stratification; rather, they helped to limit it.

A recurrent issue in Finland was the division between urban and rural populations: when the Minimum Pension was discussed in Parliament annually would the always-powerful agrarian political interest consider it as 'feeling about right' in the context of the security of provision for small-holders and rural workers? Norwegians saw the complex incorporation of diverse interests in the consensual policy making process as the best guarantor of the recognition of what really were the 'trends in general welfare' to be taken into account in the updating of the MIS. The MIS did not require conformity but it presupposed the material conditions to facilitate personal choices within the normal range. In Sweden, a Parliamentary Committee of Enquiry into the social assistance legislation re-examined the question of what 'reasonable' level of living should be provided. Its interim report re-emphasised that the courts had insisted that a person's total social needs must be taken into account, described in terms of ordinary patterns of living such as embodied in the budget guidelines (SD, 1993, pp 170-1).

**Table 4: Adequacy and stratification of MIS**

<b>Unstratified MIS and expectations</b>	
Belgium	National empirical poverty line
Finland	'Reasonable' minimum pension for all
Norway	'Reasonable' minimum pension for all
Sweden	'Reasonable' household budgets
.....	
<b>Stratified MIS but cultural homogeneity</b>	
Australia	MIS based on minimum decent wage for all
The Netherlands	Minimum wage for social participation
New Zealand	Basic Benefit Level for social participation
.....	
<b>Stratified MIS and expectations</b>	
France	Minimum wage for working class
Germany	Level of living of low-paid workers
New Zealand	Low level of living
USA	Low level of living

The Nordic pursuit of minimum standards recognised as ‘reasonable’ for everyone in society was a product of the dominant social values expressed in the ‘egalitarian average’ social discourse which, as many foreign commentators have (often critically) remarked, took conformity and convergence on the mean as the constant aspiration.

### *Stratified MIS but cultural homogeneity*

The assumption in three countries was that while MIS referred to minimum wages or benefits at the low-paid workers’ level, low-paid workers were not expected to have different level of living aspirations from those of the rest of society. Both of the Antipodean countries shared an explicit politically testable view that minimum standards had to be good enough for everyone (political argument was more commonly that provisions based on them might be ‘too good’ for some citizens, usually ethnic minorities). They might vary in precise application, but the expression of underlying values was unstratified, so that the New Zealand Royal Commission on Social Policy could credibly assert that its chief objective was:

**To ensure that all New Zealanders have access to a sufficient share of income and other resources to allow them to participate in society with genuine opportunity to achieve their potential and to live lives that they find fulfilling. (NZRCSP, 1988a, p 731)**

Whether or not these aspirations for abstract standards were achieved in MIS practice, let alone income maintenance provision, remained a different question for resolution elsewhere.

The Dutch situation was reported to be similar in some respects even if the political culture was very different. The SEC’s assumptions about the basis of the Minimum Wage as MIS were reported above, including the principle of minima high enough to enable choices to be made. Some reports, however, stressed the compartmentalisation of political argument about benefits: the existence of stratified forms of housing benefits, as in the UK, with poor benefits decreasing in value while higher tax allowances increased. Demands for a freeze on benefit increases had led to pensioners’ outcry that pensions were not ‘benefits’ – an expression of ‘we’ and ‘them’ attitudes. But this did not undermine the underlying value position, emphasised in a French government review of minimum wage arrangements in the European Community, that in The Netherlands the rivalry between the three pillars of social and political organisation (Catholic; Protestant;

Social-Democrat/trade union) was greater than the class rivalry, and this contributed to the solidarity of the approach to setting the MIS (*CERC*, 1991, p 27).

### *Stratified MIS and expectations*

In class-culturally heterogeneous societies the general assumption seemed to be that working-class culture and expectations were qualitatively different from the middle-class equivalent and therefore different standards of adequacy were defensible. But none of the four countries in this group expressed the matter so crudely; instead, the assumption in France and Germany was that if the low-paid working-class was living in a manner which could be perceived as being integrated into hierarchical society and could not be identified in conventional terms as 'socially excluded', then their level of living must be adequate for the social purpose of integration, even if not for middle-class levels of living.

A French response to a request for evidence of the adequacy of the *SMIC* was that thousands lived on incomes below it; it was, however, nearly two-thirds of average earnings (*CERC*, 1991, p 23). The German assumption, too, was that the working households whose consumption patterns were the basis of the revised MIS were part of integrated society, since poverty was the condition of social assistance claimants who could be seen as 'outsiders'. The strong emphasis in German social assistance not simply on cash benefits comparable with the MIS but positively on measures to help claimants re-integrate into working society, or to support the socially valued occupation of bringing up children, could be seen as symbolising the objective of recognising 'human dignity', at least at a working-class level.

The US and the New Zealand MIS (after 1990) reflected a different view of society. The rhetoric appeared to be unstratified but in an individualistic sense, emphasised only an individual's absolutely minimum needs. In the OPL and similar minimum budgets such needs were expressed in terms which presupposed that society was highly stratified and that those at the bottom had the lowest needs, to be satisfied by the lowest incomes. But the pretence that needs were relevant had probably long been abandoned in the USA, and all MIS were recognised simply as expedient political constructs reflecting reluctance to pay more to the poor. The realities of minimum income stratification could be seen in the contrasting standards applied to setting social security pension levels.

## **Conclusion**

This chapter has reviewed the ways in which the MIS in ten countries could be considered as 'adequate', in terms of their relation to tiers of income sources or of other stratifications in society, to show how complex and disparate the issue can be. The assessment of adequacy depends on objectives, and in the case of MIS (though not of poverty measures) these include reflecting and symbolising the political expression of social values and aspirations, sometimes contested and always subject to dispute and negotiation. Chapter 6 reviews issues surrounding the practicability of MIS, as well as the formative role played by different discourses in shaping the consideration of feasibility, since these affect the way in which the lessons of the study can be read for policy making in the UK. The final Chapter 7 then outlines the requirements of a practicable MIS.

## **Notes**

- 1 This might not include the poor. A typical example using only governmental and administrative criteria of adequacy is "An introductory note on measuring the adequacy of social security" (Ray, 1993). 'Poverty' is treated as self-evidently definable by official decision: there is no reference to empirical measures of income levels required to meet socially defined minimum levels of living. It is not clear if the author perceived this omission to be problematic; the paper seems to be written in an economic discourse which disregards social dimensions.
- 2 Offered to the study; it did not have resources to carry out a wider search. There is a vast body of literature in many countries about the poor and about social security, some of which might carry indications of national MIS inadequacy, but very little research into what poverty or minimal adequacy standards are. Note that evidence that people were poor on a given income level or source is not in itself evidence of the inadequacy of the MIS, only of its use.
- 3 This appears to have been generally accepted as normal decency by both sides in Australian labour relations and not the expression of some anti-business socialist ideology; it stands in contrast to many British approaches to minimum pay.
- 4 Though as stated previously this does not imply that the half-median statistical measure was adequate in itself.
- 5 This point is very important in evaluating the effectiveness of social policy. Government policies which result in deprivations (for instance, in housing, health and education) affecting the population randomly instead of being concentrated on the poor may have abolished the inequalities associated with poverty; even if deprivations persist, they do not afflict only people with low incomes.

## *Setting adequacy standards*

- 6 Halleröd queried if this measure “is too generous to represent a poverty line which has any meaning in today’s Sweden”, but noted that the high proportion might result from respondents under-estimating their actual incomes (1995a, pp 120-1).

## Implementing Minimum Income Standards: some policy issues

*This chapter reviews policy issues which affect the consideration and implementation of any MIS in the UK.*

... many commentators have come to argue in favour of a relative rather than an absolute standard of poverty or deprivation.... For these and other reasons there is now no universally agreed standard of poverty. (DHSS, 1985a, 4.4, 4.6)

The Government cannot pretend that the old standard has been superseded unless it is prepared to define what should be put in its place. During the last ten years successive Secretaries of State have shared one thing in common: there has been no minimum, no bottom line, no safety net, no income minimally adequate to meet today's needs which they have been prepared to define or defend, even in principle. (Peter Townsend, *The Guardian*, 29 November 1989)

### **Are MIS feasible?**

As British governments have long been unable to recognise that income adequacy criteria are feasible, this chapter must answer the question for them. When they deny the possibility of defining poverty (for example, DHSS, 1985b, 2.50; DSS, 1989; Moore, 1989) they are confusing, perhaps deliberately, the scientific discovery of poverty measures with the political activity of setting MIS. But earlier chapters have shown that these are distinct, and that in other democratic countries MIS reflecting social values of citizenship and participation are both politically credible and feasible even in the absence of scientific evidence or scholarly agreement.

Whatever the different UK governments' confusions, its Social Security Advisory Committee wanted operational criteria of adequacy, as did the House of Commons Social Security Select Committee when it was chaired by Frank Field MP (subsequently appointed the Labour government's Minister of State for the Reform of Welfare). This study was the outcome, aiming to reveal how other countries faced this problem. The governments of the ten countries have long maintained forms of MIS against which to assess the minimal adequacy and achievements of their income maintenance provisions or to identify or count income-deprived people. The concept of a governmental Minimum Income Standard was widely recognised by democratic countries as expressing an underlying government responsibility to citizens, even if it was articulated and implemented in a variety of differing ways. Official adequacy standards are therefore both possible and useful; the UK government needs a MIS whether it recognises the fact or not.

*Whatever their practical uses as governmental criteria of minimal income adequacy, setting MIS is not claimed to be a panacea for social problems in general or poverty in particular, and it is not a substitute for empirical research into the nature and extent of poverty.* A MIS should not be criticised for its failure to deliver what it was not designed to perform. But as long as 'western' liberal notions of personal freedom require market methods of resource distribution, then adequate personal disposable incomes sufficient to gain access to and use those markets must be central to conceptions of individual freedom and its implementation. Even if one asserts that the totality of poverty is more than lack of money alone, social exclusion will persist as long as some people do not have enough money to buy their way to social integration. But how much is enough? The choice of minimally acceptable standards of welfare lies at the heart of democratic politics and on a level of salience far deeper than the annual political anxiety about a different question, the aggregate costs of any consequential income maintenance provisions.

## The European aspect

Setting MIS is important in democratic society. In 1992 the European Commission therefore recommended Member States of the European Union to do so, in the following terms:

**To recognise the basic right of a person to sufficient resources and social assistance to live in a manner compatible with human dignity as part of a comprehensive and consistent drive to combat social exclusion, and to adapt their social protection systems, as necessary, according to the principles and guidelines set out below;**

**To organise the implementation of this right according to the following practical guidelines: fixing the amount of resources considered sufficient to cover essential needs with regard to respect for human dignity, taking account of living standards and price levels in the member state concerned, for different types and sizes of households. (Extracted from EC, 1992, A, C; emphasis added)**

The context in which a MIS for the UK might be considered must include this European dimension. But the discourse of social exclusion in the policy making circles of the European Union is confusing. The European Commission's publications used phrases such as "adequate social protection", "a wage sufficient to enable them to have a decent standard of living" and a level of living "worthy of a human being". They referred to adequacy in terms such as living "in a manner compatible with human dignity", the ability to "appear in public without shame", or to "take part in the life of the community". All of these have value-laden meanings but are difficult to quantify.

The problems which this social exclusion discourse and others present to the development of MIS are discussed later in this chapter (and see Chapter 3). Before social exclusion can be used as a basis for MIS, it will have to become much more coherent and related to incomes. In the meantime the foundation of MIS must continue to be expressed in terms of *its own* inherent logic: the *income levels* people require to achieve minimally adequate levels of living as defined by their societies, whatever other deprivations, exclusions or resources are also involved. But even if welfare politicians might accept this, could it ever be accepted as realistic by finance politicians and Treasury officials, the guardians of public expenditure?

### **Must Treasury officials be inherently opposed to MIS?**

A salutary refutation of the stereotypical assumption that Treasury officials must necessarily prefer restrictive economic approaches to social policy was found in New Zealand. The Treasury briefing<sup>1</sup> to the incoming Labour government of 1987, which was written during a period of neo-liberal economic policies (named after the Treasurer as 'Rogernomics' to parody its model, Reaganomics), nevertheless expressed an explicitly social view of poverty and the scope of governmental responsibilities for income maintenance starkly contrasting with the narrow British stereotype:

**Income maintenance:**

Policies for redistribution of income must provide a balance between the sometimes conflicting values of society. The most fundamental value requiring the state to redistribute income is the protection of a basic living standard: as long as people are of value then maintaining life is unquestioned. However, in a society like New Zealand's, preservation of basic living is not a sufficient standard. Dignity and the ability to participate are values of importance that imply that the state should guarantee more than a minimum income. In modern economies a cash income provides not only the means to meet essential material needs, but is also the key to wider participation in society by providing the individual with the opportunity to exercise choice.

British readers may find the source remarkable even if the sentiments are unexceptionable. The fact remains that governments believe opportunities for income redistribution to combat poverty are electorally constrained by existing commitments. But the New Zealand Treasury officials anticipated this problem and addressed it in the context of wider issues of government responsibility often unquestioningly treated as less problematic than minimum incomes for the poor:

There are other values that could be identified as worthy of protection, but on closer examination there seems little justification for the state to be required to support them. For example, the freedom from loss of income inherent in a value of security might suggest that the state should undertake to protect everyone's existing living standard against a potential drop in incomes. However, a responsibility for the state rather than the individual to assume this risk raises the difficult equity question of whether all people, including the poor, should be taxed to maintain the existing living standard of those who are already well off. Another question is whether particular groups of individuals, for example the elderly or parents, should be entitled to support because they have made past contributions or have some intrinsic value to society. On these grounds we may want to 'honour age' or 'honour parenthood' through a universal payment. However, there does not appear to be a strong justification for making a payment simply on the basis of membership of these particular groups. Furthermore, the costs associated with providing such payments are large and therefore may act as a constraint to wider income redistribution

**objectives. (Both quotations from New Zealand Treasury, 1987, pp 169-70)**

In this Treasury, income protection for the poor was recognised as a feasible policy priority compared with government expenditure on other conventional public services.

These policy making issues would all be relevant to the political credibility of a MIS in the UK. British policy makers fear that to endorse minimum standards inevitably leads to political criticism of failure to achieve them, and that setting a MIS would influence debate on minimum wages and other income maintenance benefits, leading to conflict over the control of public expenditure and economic management. In consequence, they prefer to deny all adequacy criteria. However, other countries have also faced public expenditure problems or central–local government tensions, and instead of denying the possibility of their MIS they preferred to amend some aspect of it (as in Germany, the Nordic countries, The Netherlands, New Zealand or the USA: see also Chapter 4).<sup>2</sup> In addition, this standard-rejecting approach is inconsistent with the 1990s rhetorics of both the outgoing Conservative and incoming Labour governments in the UK, both of whom placed strong emphasis on reaching minimum standards in social and public services ranging from education to transport. Their failure to adopt similar minimum adequacy standards for incomes became a paradoxical omission from both governments' political agendas.

### **Can reviews of MIS be politically credible?**

The implementation of a MIS requires an approach which is politically credible in the terms and discourse of the country in which it is to be implemented. Governmental decisions on MIS in this study were arrived at through negotiation (as in The Netherlands, Norway and Finland) or by incremental means (as in France or the USA); they were rarely 'rational' in the narrow 'scientific' sense because they were about political realities not poverty measures (the Swedish construction of household budgets might be an exception). Naturally they were rational in pursuit of politically credible objectives, including – in six countries – commissioning reviews of the potential and foundations of MIS.

### **Official reviews of adequacy in the UK and of MIS elsewhere**

Not a lot of people know that thirty years ago even UK government officials recognised the need for reviews of income adequacy. In the early 1960s,

the National Assistance Board (NAB) conscientiously but secretly investigated its benefit adequacy (NAB, 1965). The study was commissioned because the political toleration of persisting poverty was being questioned and the government needed to know how far benefit rates were responsible. The NAB study used a range of methods – minimum budgets; comparison with average household consumption patterns; detailed investigation of claimant households' levels of living – to 'triangulate' and test adequacy. It found that both the benefit levels and their administration were seriously inadequate for minimally decent social life, but kept these findings secret (a summary appears in Veit–Wilson, forthcoming [a]). The only (unascrbed) outcome was the introduction of additional long-term Supplementary Benefit in 1966. But subsequent governments regrettably ignored the NAB's recommendation that regular reviews of benefit adequacy should take place.

Six countries in this study reported official reviews of some aspect of the adequacy of their income maintenance systems or MIS since the beginning of the 1980s: Australia, Belgium, Germany, New Zealand, Sweden and the USA (discussed below in date order). Whatever the original MIS base (often long forgotten or irrelevant) or updating methods, the political credibility of MIS came from their relevance to current needs and conditions. When that was questioned, reviews were instituted to reconsider what was needed and what was feasible.

The *German* government intensively reviewed the basis of the Federal recommendations on social assistance levels throughout the 1980s (Tschoepe, 1987; see Chapter 4). The review was instituted because the *Länder* were concerned about social assistance costs, and the review committees included politicians of both Federal and *Länder* governments as well as methodological experts. Political credibility and methodological feasibility were paramount review criteria. The final recommendations overturned the traditional budget prescriptions in favour of using existing national statistics of low-earning households' levels of living as the base, assuming that they reflected 'human dignity'. The technique provided for automatic annual statistical MIS updating, but the new method was suspended for political reasons in 1993.

The *New Zealand* Labour government started a process of income maintenance review in 1984, "concentrating on making the tax and benefit systems fairer and more compatible" (NZDSW, 1986, p vii). In 1986 a Ministerial Task Force was commissioned to consult widely on specific matters, including the question of *Adequacy of benefits – how much is enough?* in the context of the broader issues to be considered by the Royal Commission on Social Policy (NZRCSP, 1988a; 1988b). One result was the proposal for a Universal Benefit. If the National Party government had

not withdrawn it in 1990, the core benefit for a single householder would have been around one half of average net weekly wages.

The *Belgian* review focused on the whole range of social service provisions for groups at risk of deprivation and not on incomes as such, but its recommendations included setting a MIS, described as “a legal poverty line”, at levels expressed as various percentages of GDP per head (Deleeck, 1987, p 11). The recommendations were, however, not implemented.

A *Swedish* Parliamentary Committee started a review of the whole of social service legislation including social assistance in 1991. The interim report in 1993 referred to the obligation to implement the European Commission Recommendations of 1992 quoted above, to set MIS to combat social exclusion (SD, 1993, pp 90-1). While it examined the politically contested question of local or national assistance benefit levels, it never questioned the existence of the national standard and the duty of social assistance to offer a ‘reasonable’ level of living covering all dimensions of normal social participation in Sweden. The level of the government recommendations to local authorities has not been maintained in the face of recent political pressures – an example of a government’s ability to maintain a MIS but to adjust the level of benefits related to it.

In the *USA*, the Joint Economic Committee of Congress commissioned the National Research Council in 1992 to carry out an in-depth review of the US Orshansky Poverty Line (OPL) (funded by the Department of Labor) and of the basis of setting standards for welfare payments to families (funded by the Department of Health and Human Services). The independent membership of the *Panel on Poverty and Family Assistance: Concepts, information needs, and measurement methods* included the British economist Anthony B. Atkinson, the author of several publications addressing the political and economic problems of a MIS and recommending its establishment in the UK (for example, Atkinson, 1993; 1996). While it used the term “poverty” since no distinction between poverty measures and MIS was apparently understood in the USA, the Panel recommended a new MIS for the USA in its Report *Measuring poverty: A new approach* (Citro and Michael, 1995); its procedural recommendations are cited in Chapter 7.

In 1993 the *Australian* Department of Social Security initiated a wide-ranging study of benefit adequacy. The Adequacy Project Team in the Strategic Development Division of the Department published a Policy Discussion Paper in 1995: *Developing a framework for benchmarks of adequacy for social security payments* (ADSS, 1995) which outlined a variety of methodological problems, though without coming to conclusions at that

stage. The review also commissioned academic research into the contribution of budget studies and attitudinal approaches to poverty in establishing minimum income standards. The subsequent change of government led to amendment but not abolition of the study and associated research.

In short, what these reports show is that many democratic governments have no difficulty in recognising that they are responsible for finding principled foundations for their income maintenance policies; that they are capable of setting up detailed reviews which use research findings and expert opinion instead of treating the issue as simply one of political factors; and that they generally implement the MIS conclusions, amending them in the light of political realities when necessary.

### **Poverty discourse as MIS constraint or opportunity?**

Is the clash of poverty discourses a barrier or an opportunity for the implementation of MIS? The problems which disparate and conflicting discourses present to productive debate and policy making were raised in Chapter 3, where seven were outlined. Chapters 4 and 5 showed the use of these disparate discourses in the ten countries' MIS. An impressionistic classification of the dominant discourses used by country suggested the following:<sup>3</sup>

- Humanistic – *Structural* (Australia, The Netherlands, New Zealand); *'Egalitarian average'* (Finland, Norway, Sweden); *Social exclusion* (France and European Union).
- Asocial – *Economistic* and *Statistical inequality* (USA); *Legalistic* (Germany).

It is obviously impossible to draw conclusions about the feasibility of MIS as if they were equivalently interchangeable. Discourse is the soil in which the plant of MIS grows; for effective growth each must be compatible with the other. The following section therefore outlines some implications of the discourses and methods used in ten countries, to suggest how credible and adequate MIS might be designed and implemented, and to stimulate further creative debate on issues which by definition cannot be finally resolved.

#### ***Structural discourse***

The Netherlands and the two Antipodean countries were ascribed to this discourse because their MIS (leaving aside the anomaly of New Zealand

after 1990) were based on the centrality of the productive and earnings systems in setting the aspirations and capacities of a society. While their underlying values were not expressed in Nordic egalitarian language, the humanistic value of all citizens and their right to take part adequately in society was expressed through government involvement in setting minimum wage rates at participatory levels. In the Antipodean countries, this was reflected in minimum wage protection against poverty, but the Dutch approach differed, emphatically expressed by officials of the tripartite Social Economic Council (SEC) which negotiated and updated the MIS:

**In The Netherlands, when we consider the social security system norms, we always start by looking at the international treaties we signed, for instance on economic, social and cultural rights. You [the British] are always talking about poverty, about an eighteenth or nineteenth century subject. We are talking about how we maintain a system where everybody is free to accept suitable labour. That is a political discussion at the moment, of which the main item is, is a citizen able to accept suitable labour and is not forced to accept it because he cannot afford to live without that suitable labour. So the main political issue has been up to now, is there enough suitable labour for people to enforce the right to gain a living based on free and individual choices? So the discussion then is, what is suitable labour? What kind of norms do we have to guarantee that these people can choose their own labour by free will and are not forced to take any job which turns up? Of course the political question is whether or not the social security burden is too high to give people such freedom. (Recorded interview at SEC, 31 May 1994)**

The superficial similarity of the conclusion to UK concerns must not obscure the fundamental difference in underlying assumptions: business, labour and government must first cooperate to create conditions in which workers could exercise their freedom to choose suitable work – work which satisfied their social as well as economic needs. Setting minimum adequacy standards for pay followed this, based on evidence of trends in the levels of incomes and costs of the average household. At the level of discourse, compulsion into low-paid work irrespective of choice (the normal British practice under all governments) was not part of the Dutch vision.

This structural discourse has some users in the UK, probably more among social policy academics than politicians or government officials. Whether

the academics' discourse is understood by policy makers is questionable since policy rarely conforms to its analysis. To the extent that a structural discourse has resonance in the UK, the issue for an MIS would be the basis of the proposed minimum wage (at the time of writing in 1997) and whether or not it relates to any empirical evidence of minimal adequacy for participation – a minimum for individuals or for families? If the minimum wage were based solely on the balance of power between the demands of profit and union claims, or simply on percentages of the average, there would be no guarantee that it could not fall below adequacy levels. On the other hand, a minimum wage for individuals based on empirical evidence of adequacy, combined with a range of income maintenance benefits for recognised dependencies such as children or similarly-based care responsibilities, might provide the foundations for an adequate MIS in the UK.

### *Egalitarian average discourse*

In the three Nordic countries' dominant discourse the state was seen as the representative of the population and not antagonistic to the people. Social policies in general and income maintenance in particular were unstratified, focusing on the requirements of the average citizen and not the minimal needs of the poor. Until the 1980s the official approach was to deny the existence of poverty and the word itself was politically unwelcome; the preferred term was 'low income' because it carried no evaluation of whether the income was merely lower than average or too low.<sup>4</sup> The prevailing assumption was that social policy measures ensured that everyone had access to the minimal personal or collective resources needed for participation choices (therefore no poverty), though there were still some inequalities in levels of living (and low incomes). Level of living surveys were not concerned with the questions of *where* the boundaries of a tolerable inequality might lie, or of discovering at just *what* low income levels individuals or groups in the population were excluded from taking part in conventional levels of living.

The method of annual consensual political negotiation which set the MIS in both Norway and Finland used ideas of minimal decency and tolerability in homogeneous cultural terms for anybody permanently outside the labour market. It was reliably assumed that all those still within the labour market would receive negotiated rewards well above these levels. The budget approaches used in Norway to monitor, and in Sweden to underpin, the adequacy of the MIS were explicitly not intended to be minima, since the notion of a cash minimum was rejected. The treatment

of minimally adequate incomes by this discourse was within a context of concern for social integration, about not letting the level of living or resources of those most at risk of deprivation diverge too far from the average. The rhetoric employed was not of overt idealistic egalitarianism; it was an implicit or taken-for-granted common citizenship in which mutual rights and responsibilities justified common standards, even if experiences ranged more widely. Discussion of the MIS and of social security benefit levels was in terms of 'reasonable' levels of living expected by ordinary citizens which the government therefore had a statutory obligation to ensure (the precise delivery method naturally varied).

Why did this discourse differ so profoundly from that in the UK? A Norwegian political scientist reflected on this study:

**Our political culture is much more compromise oriented, also between parties, than the British. Since our multi-party system and permanent parliamentary committees prevails anyway, most of us do not feel the necessity to have formal minimum rules as a safeguard in case a politician we utterly dislike should seize power – since no such (non-compromise oriented) politician would survive in our usually minority government type of political system anyway. If you think the politicians will show 'reasonable good will' given budget restraints, there is no reason to tie their hands through minimum standards. Minimum standards are nice to have if you do not trust that the politicians will give the poor and needy a decent standard of living, or if you want to insure the poor against the risk that some politician who would slash their benefits to the bone might win the election some time in the future. (Øverbye, personal communications, 1993)**

The final sentence thus firmly locates the need for a MIS in unbroken British experience throughout the past century. What the discourse teaches the UK is that where the political implementation of egalitarian values is unreliable, we must have rules.

### ***Social exclusion discourse***

This discourse was most forcibly used in France. A large volume of writing, official, charitable and academic, described and deplored the conditions and behaviour of the poor, the deprived and the excluded. At the same time, the study could find no evidence of attempts to discover or quantify the necessary resources or material conditions under which poverty could

be individually avoided or collectively abolished (see, for instance, Paugam, 1993). Poverty was discussed only in tautologous terms of the life-experience and behaviour of poor people, or of the “new poverty”, the relative deprivation experienced by newly unemployed white-collar workers “at much higher levels of income”.

At the same time, this profound concern with inclusion was not in the least egalitarian. Poverty was treated as exclusion from some minimally acceptable position in a hierarchical society; since income was not the issue, there could be no estimate of how much was enough not to be excluded. The *SMIC* (minimum wage MIS) was seen as symbolic of class integration within an unquestionably stratified society which, even if inadequate for richer social strata, was taken by the French government as a taken-for-granted measure of adequacy for the working-class households who had to live on it. Similarly, French social policies for the unemployed aimed at integration into the labour market rather than financial adequacy (Evans et al, 1995, p 34). The level of *RMI* (see Chapter 4) was officially recognised as inadequate for social life and excused because it was intended to be only temporary (Vanlerenberghe, 1992, p 628). Thus integration into one’s rightful place in this hierarchical society was more important than having enough money. Recent British government proposals for the unemployed seem based on the same assumptions.

The discourse of ‘social exclusion’ is now widely used as a synonym for poverty throughout EU circles (Room, 1995a). The current official (European Union and Council of Europe) definition of poverty does not refer to a lack of money but of resources “so limited as to exclude” people from the minimum acceptable way of life in their Member States. It enables excluded groups to be defined as poor, but “has been used in a rather loose and incoherent manner, rendering it of little value as a guide for research or policy” (Room, 1995b, p 247); it does not enable the boundaries of poverty to be identified in concrete resource terms.

If a government wants to use social exclusion as the basis of a MIS, it would have to be quantified. The range of what are taken to be social indicators of exclusions (and naturally also of inclusions) would have to be discovered and tested to see which were measurable and correlated with poverty factors such as lack of money, in the same way that deprivation indicators have been tested and correlated. In this sense, the exclusion approach could resemble the first stage of another scientific study of the minimum money income required to take part in society – that is, to avoid social exclusion as enforced lack of resources. But there are two significant differences:

- Exclusion is an *active term*: someone is doing the excluding. Even if poor people are not excluded directly by overt discrimination, they are excluded from access to the political resources required for participation, since conflict between social groups over the distribution of limited resources (material and coercive) is at the heart of politics. This strong sense of the term seems to be absent from European politics. The focus of this discourse on the socially excluded diverts attention from the search for and opposition to politically powerful excluders.
- The poverty of those who are not identifiable as members of excluded groups, but who have *too little income to participate*, risks being invalidated by politicians who have other interests.<sup>5</sup> This is a serious disadvantage because it devalues the deprivations suffered in private by those who do not want to be identified in what they may feel is a stigmatising manner – not just older people but anyone who rejects such crude labels. The German concern about the ‘invisible’ poor who do not claim their entitlements seeks to pull them into identifiable excluded groups, which they might reject. By contrast, the scientific approach would seek to address their problem directly: how much income do they need to be able to participate while remaining ‘invisible’ to politicians if they wished?

It is no accident that the European discourse of social exclusion can paradoxically be more, not less, restrictive than the scientific approach to discovering poverty boundaries. European Commission officials and experts interviewed for this study reported that the discourse of social exclusion was an expedient adopted from France in the 1980s because it was imprecise and could thus be politically viable with governments who did not want to discuss the existence or costs of poverty in their countries. It deliberately aimed to divert attention from inadequate income levels onto wider but more diffuse aspects of deprived social life, where political responsibility was harder to pin down. It focused on identifiable ‘outsider’ groups rather than on citizens with simply too little income to take part in social life as minimally expected. In short, it was a discourse deliberately chosen for closure, to exclude other potential discourses in European political debate and to depoliticise poverty *as far as income redistribution was concerned*.

### *Humanistic discourses*

Behind these humanistic discourses lie deep-seated traditional European conceptions of the organic integrated community, lacking in the UK. The Nordic model was egalitarian; the Franco-Teutonic model originated in

feudalism, remaining socially hierarchical but tightly knit (a tradition politically represented by Christian-Democratic parties). Each model assumes a network of rights and obligations between all members of the community, horizontal or vertical. The Nordic model's social concern about poverty was about integration into 'normal' community levels of living, while the feudalistic model recognised only failure to be 'integrated' into the community, symbolised by work but without concern about unequal levels of living.

These humanistic discourses may have moral resonance but they can be used oppressively. National, class, ethnic – one might say 'tribal' – distinctions were widely used to describe boundaries between those to be included or excluded, for example the historical discourse of the 'undeserving poor' or the 'underclass', or the treatment of asylum-seekers, refugees or Romanies in social assistance programmes. Such examples were common even where the humanistic discourses were dominant, and they reinforce warnings against careless use in the UK.

### *Economistic discourse*

Poverty discourse in the USA was "clearly dominated" by economists, contrasting with "the situation in Britain and Scandinavia where there was a 'relatively even balance' between sociologists and economists" (Korpi, 1980, quoted by Fisher, 1995, p 77).<sup>6</sup> Sociology was less politically credible in the USA; it was less confidently assertive and dogmatic than economics; it subliminally evoked negative political connotations while economics positively suggested 'business'. American sociologists studied the poor as social problems or deprived lifestyles, rather than poverty as a problem of concept and measurement. In a political culture which prefers individualistic to structural explanations of poverty and finds it hard to distinguish discovery of a social fact from its policy implications, the asocial discourses predictably prevailed and explained why the conceptual distinction between empirical scientific poverty lines and prescriptive MIS was not accepted. The precision of minimum food-share budgets as poverty measures carried more political credibility than the handful of academic attitudinal studies of poverty lines which showed they were much higher (for example, Rainwater, 1974; O'Hare et al, 1990; Schwarz and Volgy, 1992; Vaughan, 1993).

It seems paradoxical in a country so enslaved to public opinion that public attitudes to the minimum adequacy of income levels should be spurned as a basis for setting MIS. Haveman's explanation (1986) was that policy concerns and not curiosity always drove US poverty research, and the racial dimension was crucial to poverty politics – given that many of

the visible urban poor (though not the dispersed rural poor) were black, a high empirical poverty line would have implied that “a lot of black people should be given a lot more money”.

The UK differs from the USA in that British governments have never had any difficulty in ignoring the policy implications of empirical poverty research. The US experience shows that the use of economic poverty discourse has nothing to teach the UK in the setting of minimum income adequacy standards.

### *Statistical inequality discourse*

The use of percentiles of income distribution as the sole and unproblematic definition of poverty has become so widespread globally as to justify its description as a distinct discourse. It is used chiefly in association with economic discourse, but not exclusively: it is also favoured in Europe in combination with social exclusion discourse because both avoid seeking troublesome evidence. Given its internationally powerful status, closing out other discourses, statistical discourse deserves to be considered as a global MIS.

In an authoritative presentation, Van den Bosch pointed out that “The particular percentage chosen is of course largely arbitrary, but 50% seems to be popular” (Van den Bosch, 1993, p 6). Anecdotal accounts revealed that the choice of 50% as a widely used global standard was an unprincipled but expedient compromise between the consultants’ conflicting proposals for percentages between 40 and 60, influenced by their fears about the policy consequences of any percentile chosen. Deleeck noted that in EU countries the statistical standard is a *minimum minimorum*: “households below it are really poor” (Deleeck et al, 1992, p 121). *But so may be households above it*; it is thus useless for the purposes of identifying the poor, even if usable for comparison between countries and over time. Empirical studies in different countries have now found boundary areas between 60 and 70% of their means or medians (early UK studies were Townsend, 1979 and Mack and Lansley, 1985). Half the mean is therefore likely to be a considerable *underestimator* of poverty, and half the median is even worse.

The UK government adopted the Households Below Average Income (HBAI) measure for its official national low-income statistics in the late 1980s, on the correct grounds that existing statistics of households with incomes at or close to social assistance levels did not define poverty, and (incorrectly) that no agreed poverty measure was possible. Although it emphasised that the measure contained no critique of the adequacy or otherwise of the incomes in question, this qualification is often omitted by

### *Setting adequacy standards*

those who, “when confronted with a statistic blessed by an official imprimatur, embrace it eagerly and indiscriminately” as a substitute for empirical analysis of where the scientific poverty line really is in their countries (Saville summed this up as “A slight case of statistical nymphomania, perhaps”: 1965, pp 157–8). This asocial method remains attractive to policy makers because statistics sanitise the human suffering implicit in poverty (as Arthur Koestler wrote about the Holocaust, “statistics don’t bleed”).

Considerable dangers of misrepresentation of the realities of poverty or exclusion lie in the use of statistical discourse. A MIS should not be based on it except as a short-term expedient accompanied by a health warning while awaiting better empirical information about poverty incomes. But it might become credible if properly adapted. If evidence were found empirically of the percentage of mean or median incomes at which the high deprivation with low income correlation no longer holds (naturally subject to all the appropriate methodological qualifications) and it were regularly rebased and updated, that would make an excellent dynamic foundation for a MIS.

### *Legalistic discourse*

The German discourse which treats poverty as a legal condition defined by entitlement to social assistance is a stronger form of the long-standing British ‘official poverty line’ approach. Those who believe it is an official criterion of adequacy must assume that the instrument conceals an underlying standard. While the German instrument has an arguable adequacy standard, in the UK the benefit level is only determined by less-eligibility and public expenditure considerations; the instrument has no MIS. The German lesson for a UK MIS would be, as in the Nordic countries, a statutory citizenship entitlement to dignified or reasonable income maintenance benefits, where the meanings were adjudicated against empirical evidence of minimum adequacy.

## **Conclusion**

This chapter has reviewed the feasibility of a MIS for the UK in the light of the methods and experiences, as well as discourses, of the countries studied. Membership of the European Union requires the UK to set a MIS, but the models available to it would not easily transplant unaltered from their disparate discursive environments. Nevertheless, the lessons and precedents for a MIS are at least promising: even Treasury officials in New Zealand have treated it seriously. Setting a MIS needs careful review, as

other countries have shown can be done, and their findings should be considered in the UK. The concluding Chapter 7 takes the US review's key criteria for a MIS as the structure for recommendations applicable in the UK.

## **Notes**

- 1 Departmental briefings to incoming governments were publicly available documents.
- 2 In Germany, the planned implementation of the statistical basis of Federal MIS recommendations was suspended in 1993 because of the resulting costs for the Länder. In the Nordic countries, local authorities reported difficulty in financing all their statutory obligations including 'reasonable' social assistance, and in the Netherlands the MIS linkage was weakened. In New Zealand an incoming government in 1990 rejected the previous relative MIS in favour of a minimum subsistence basis. In the USA the rebasing of two MIS was suspended during the Reagan administration on political grounds. States continued virtually to ignore Federal recommendations and based their Aid to Families with Dependent Children and welfare standards and payments on their own local political concerns, almost all falling far below Federal poverty levels in 1993.
- 3 Belgium has been omitted since its MIS was a scientific measure.
- 4 The Thatcher government in the UK adopted the same practice, but not for the same underlying reasons.
- 5 It may also apply to academics who find attitudinal responses incompatible with their own more limited ideas of what social exclusion ought to mean. Deleek and his colleagues found in empirical surveys using the Antwerp attitudinal measure that poverty lines were sometimes found at levels where "it would be very difficult to maintain that all households below it are *poor, in the sense of being socially excluded*. The term 'insecurity of subsistence', meaning a situation in which households encounter some (financial) difficulty in participating in the average or most widely shared life-style, would be more appropriate" (Deleek et al, 1992, pp 37-8; emphasis added). Halleröd made a similar observation about Swedish attitudinal research findings (1995a, p 121). This seems paradoxical in surveys ostensibly exploring ordinary people's own definitions of deprivation, poverty and exclusion. The relation between these concepts and 'difficulty in making ends meet' needs further research.
- 6 Gordon M. Fisher's detailed (but so far unpublished) history of US poverty measures showed that until the 1960s and President Johnson's 'War on Poverty', poverty discourse was interventionist social work, directed towards active social reform early in the century but turned towards individualistic approaches to poverty from the 1920s. Fisher noted Korpi's observation that poverty research in the USA then became dominated by the economists (Fisher, 1995).



## Conclusions: requirements for Minimum Income Standards

Adequate living standards and protection against income insecurity are among the *Universal Human Rights* (Article 25 of the United Nations Declaration, 1948; Articles 7 and 9 of the International Covenant on Economic, Social and Cultural Rights, 1966).<sup>1</sup> Yet poverty persists in the UK, and any government claiming to want to act against it must set minimum income standards to identify the problems, guide the solutions and monitor the effects. A MIS is politically and technically feasible in the UK. This chapter outlines what is required.

The case for a MIS in the UK has repeatedly been made. A decade ago the Social Security Advisory Committee stated that “regular research ... would help in making decisions about the kind of living standards which are regarded as acceptable for people on benefit” (SSAC, 1988, 8.23), and its search for adequacy standards led to this study. The case was re-emphasised by the Labour Party’s Commission on Social Justice in 1995 and publicly reiterated in a leader in *The Guardian* (15 August 1997). The case has been furthered here by clarifying the issues and reporting how ten other countries managed to operate their MIS.

### The scope of MIS in poverty policy

Just as lack of income is central to poverty but is not its only constituent, so measures to combat poverty must cover both financial and other aspects. A government must decide what part personal incomes are to play in its social policies to meet everyone’s normal needs. Before considering the detail of a minimum standard of living based on income level, a government must answer the following prior questions which are central to all social politics:

- *Marketed resources*: how much of the total minimal level of living is to be provided by resources which have to be bought out of a household’s

personal disposable income – in which case the MIS must reflect enough disposable income to buy them all – and how far some resources are to be provided through non-marketed or quasi-marketed channels (resources available individually or collectively, such as environmental protection, health services, low-cost housing, free education, subsidised local public services and utilities). In the latter case, the MIS need reflect only the household income required for all the remaining discretionary expenditures – which includes covering the costs of the household's necessary (as socially defined) informal social and cultural participation, not just prescriptive 'essentials'.

- *Income sources*: what proportion of the disposable income of households is to come from earnings (the minimum wage question) and what proportion from other sources such as direct or indirect income maintenance (such as benefits and allowances for family size, dependencies, recognised expenses and housing costs, tax allowances and occupational fringe benefits). The MIS should reflect the total necessary household income, but these different sources each add to the total flow of real income to the household and must therefore be integrated and coordinated into the whole MIS.

## Requirements of any MIS

What are the requirements of a good MIS? The answer does not lie in further argument about how to study poverty or reform Income Support. Instead of promoting a particular MIS for adoption, this chapter sets out the requirements of any good MIS for the UK and suggests some ways of meeting them. The findings of scientific approaches to discovering social necessities and poverty boundaries (see Chapter 2) are indispensable but not enough, because the politics and administration of MIS make different demands. The expert review of the MIS in the USA in 1995 set out the following requirements (since the MIS is confusingly called a 'poverty line' in the USA, references to poverty measures have been replaced by [MIS]):

**Given the limits of science, other criteria must be brought to bear in weighing alternatives and reaching decisions about an appropriate concept to underlie [a MIS]. We, as a panel that has deliberated about these matters at considerable length and benefited from the counsel of many experts, believe that three criteria are important in considering a concept and level for the official US [MIS] in addition to what can be learned from**

**science: public acceptability; statistical defensibility; and operational feasibility. (Citro and Michael, 1995, pp 37-8; emphasis added)**

Recognising that the second criterion should be renamed 'methodological defensibility' as that (and not the US statistical discourse) is the overarching issue in the UK as argued earlier, what issues do these three criteria suggest?

### *Public acceptability*

**There should be some underlying sense to the concept, some reasonable explanation that is persuasive. The measure should be understandable and broadly acceptable. The general public may not care to understand details about the calculation of components of the measure (eg the equivalence scale computations), but the basic notion the [MIS] measure reflects should accord with common sense. (Citro and Michael, 1995, p 38)**

What is the discourse and model of poverty which is acceptable to the British population as a whole – not only to the media, academics or the political elite?

### **Which discourse and model of poverty?**

Neither the continental exclusion discourse positively focusing on social integration nor the Nordic emphasis on membership of egalitarian society have had much political resonance in the UK. The British mass media's presentation of deprivation and poverty in the UK defines deprived groups and areas in behavioural or social exclusion terms, and this is echoed by politicians because it evades the income adequacy question.<sup>2</sup> AsVic George wrote:

**More important is the question of how useful such a broad definition [of poverty] can be to government. Would it not be better to expect governments to reduce inequalities of resources, ie reduce poverty, and through that inequalities of power, ie social exclusion? (George, 1996, p 429)**

A neo-liberal economic discourse combined with social prejudice has been popular with politicians in recent decades, but it confuses MIS with income maintenance benefits, and discussion of adequate standards is often

conflated with social security benefit levels. Whatever case there may be for neo-liberal anxieties about ‘incentives’ and the prevention of ‘dependency’, they are irrelevant to MIS as such. Concerns about the population’s willingness to pay taxes may be relevant to setting benefit levels but is irrelevant to the question of acceptable minimum standards for all (see Chapter 2).

### **The relationship with the wage system**

The political preoccupation with market-led incomes, work incentives and the less-eligibility of social security means that even full-time wages may be too low to support participatory levels of living. A MIS set below uncontrolled low-wage rates could not meet the objective of minimal decency. Discussion of minimum wages could learn from those countries which base their MIS on this central feature of the income maintenance system rather than treating the labour market as an independent system. In most of them, collective wage bargaining ensured that almost no employees earned as little as the statutory minimum wage, reflecting political cultures in which employees’ organisations were treated as an equal part of the productive process in an integrated society. As this is not the UK experience, it may make the wage system a difficult even if desirable basis for MIS.

But if the UK minimum wage were based on empirical evidence of individual or household needs<sup>3</sup> and not on statistical percentiles or what employers are prepared to pay, then it could act as a MIS and the other parts of the income maintenance system could be coordinated in line with it (as suggested in Table 2, p 37). The Dutch model articulated these connections most clearly.

Currently the UK government uses the statistical Households Below Average Income (HBAI) measure to frame its income inequality statistics. But this is an inadequate basis for MIS unless preceded by empirical research to show at what percentile of the income distribution deprivation correlates highly with low income (if that is found to be the case; see Chapters 2 and 6). Such evidence would need to be regularly updated.

At the level of income maintenance policy, the dominant discourse and model of poverty and deprivation in the UK is of insufficient *cash* resources to achieve minimal levels of participatory decency (NAB, 1965; Townsend, 1979; Mack and Lansley, 1985; a summary of evidence in Kempson, 1996). This discourse should therefore form the basis of the MIS in the UK.

### **Stratification?**

Does the British population want a MIS only for 'the poor' or adequate for themselves if they found they depended on benefits related to it?<sup>4</sup> Social research could show if the vaunted belief in 'common sense' and 'fairness', and the widespread experience of unexpected income insecurity (not only among some supposed 'underclass') have affected the acceptance of unstratified standards in the past half-century (Chapter 3).

### ***Methodological defensibility***

The 1995 US review emphasised the importance of basing the MIS on methods which would stand up to detailed examination by analysts and policy makers. Desirable methodological qualities would include integrity, logical consistency, robustness, reliability and comparability across time and between groups.

Both politics and administration require clear-cut cash sums, comprehensible and comprehensive, for both MIS and income maintenance provisions. But scientific research methods do not find 'a poverty line' expressed as a cash income above which no one was deprived and below which they were (Chapter 2). What such methods can reveal is what society currently defines as minimally adequate participation; the statistical probability of correlations between multiple deprivations and low incomes; changes in the probability as income rises; and the approximate levels of the bands of income which separate high from low correlations. The findings of scientific research may be reliable but not be precise enough for a political MIS. Conversely, a political MIS cannot be infallible as a deprivation predictor, since some people will be deprived at higher income levels and some may not be deprived below it. But the MIS function is to embody the minimum standard; it is for income maintenance to deal with the problem of individually varying needs and resources.

Political decisions on the basis and level of MIS should also be guided by the findings of scientific research about how far people with different income levels actually do enjoy different degrees of socially defined participation. Such political decisions could relate to the minimum wage fulcrum of the income maintenance system, or to its lower levels such as the chief contributory social security scales or the residual social assistance provisions (see Table 2).

A range of empirical research methods are already available and equipped to test for answers (Chapter 2). Deprivation indicator methods were pioneered in the UK (Townsend, 1979; Mack and Lansley, 1985), and focus group research has used attitudinal approaches to explore minimum income

questions in the UK (Middleton et al, 1994). Household budget methods are a credible basis for MIS if constructed on evidence of socially defined necessities as well as on regular official surveys such as the Family Expenditure Survey (FES) (Bradshaw, 1993). Budgets are more transparent about the components of the minimally adequate level of living than are attitudinal approaches, but they share the same disadvantage of taking current patterns of consumer expenditure as 'right' and requiring only to be costed to give an indirect minimum income measure. The deprivation indicator approach is the only method which gives objective evidence about necessary income levels which neither respondents nor budget constructors may be aware of.

Maintenance of the desired qualities of a good standard include monitoring that it reports what it claims to assess. Does the MIS reflect minimally adequate household or individual income levels? As well as independent poverty research into deprivation indicators and low-income correlations, monitoring should use existing official research and statistical findings which relate life-experiences of deprivation to indicators of control over resources such as income. Relevant sources include:

- *Nutrition*: government advisers' and other experts' opinions on minimum nutritional needs, together with survey evidence of the population's consumption of foodstuffs and nutritional intakes, and the various household income levels at which people on average manage or fail to achieve recommended nutritional intakes. Peter Townsend suggested this as a UK poverty indicator as long ago as 1954 though it remains unused. But a similar method based on the cost of a recommended calorie intake has been used in several countries as measure for counting the poor (Ravallion, 1992, p 75). Evidence of malnutrition and its social and economic correlates would also help to monitor MIS adequacy levels.
- *Food share*: household expenditure on food and utilities and the correlation between different proportionate expenditures and income levels. The National Assistance Board's 1965 review recommended discovering the average cost of calories in the national diet, calculating the cost for the average adult's or child's recommended intake, and using the resulting sum as the basis of a food-share approach to setting National Assistance benefit rates (NAB, 1965). But it could be used to monitor the MIS.
- *Health*: information on health and morbidity (including low birth weight and infant mortality) together with premature mortality rates, and their correlation with income levels rather than localities.
- *Housing*: the adequacy of housing space and conditions to those occupying it, correlated with income.

- *Assets*: non-ownership of household durables and other assets socially defined as indicative of social participation, and their correlation with income levels.

Good monitoring methods ‘triangulate’ approaches to see how far different methods arrive at similar answers. Methodological examples might be taken from the German use of the annual Income and Expenditure Sample Surveys or the Norwegian and Swedish use of budget studies to prescribe or monitor adequacy. At the very least, the government should adopt the enquiring approach of the Australian government or US Congress to discover what methods to adopt. The methods must be open to scrutiny and more credible than ‘ministerial belief’ in benefit adequacy has ever been in the UK.<sup>5</sup> Have the politicians tried to discover what the public considers are necessities and inadequate levels of living? Can the policy makers demonstrate that their MIS (and the income maintenance benefits associated with it) are based on credible evidence of the costs of this minimum level of living? Do the various monitoring indicators suggest the right level has been chosen? These questions have never been publicly answered by British policy makers: it is time they were.

### *Administrative feasibility*

This criterion tests if the MIS can be constructed, maintained and implemented with maximum efficiency and acceptability while retaining its effective integrity as a standard of adequacy. We must remember that a MIS is an indication of social needs and general welfare objectives; the details of the income maintenance system require different instruments finely tuned in the context of current social and economic politics.

The MIS instrument in some countries (the Nordic countries, The Netherlands, Germany and the USA) was the central government recommendation to local government responsible for the precise setting of social assistance rates locally (Chapter 4). A common problem was the tension between central government principles and local government ability or willingness to pay the price of implementing them. Public sector finance problems and the politics of taxation thus entered irrelevantly into local questions of what incomes social assistance claimants needed (Chapter 6).

In the UK, the Department of Social Security has had similar problems but has not been under a statutory obligation to implement reasonable or dignified benefits. Its budget seems to be set globally in pursuit of government financial targets rather than by consideration of the total needed for adequate benefits for all claimants. It is clearly wrong that the government

department responsible for economising on income maintenance benefits should decide their adequacy, as it does. As Atkinson put it, “the setting of national objectives should not be a matter for the public spending round” (1996, p 129). At the same time, the methodological questions which are raised by maintaining a MIS are similar to those of other social surveys, and ought, as suggested above, to draw on existing official data. This should help policy makers to identify the most appropriate location for the administration of the UK’s MIS. Atkinson suggested the Office of National Statistics, but in view of the fact that previous UK governments have repeatedly interfered with the integrity of the national poverty statistics, the MIS should be kept by a national office for inspection and standards and be directly responsible to Parliament. To treat the MIS as a matter of data collection and maintenance of standards according to nationally agreed principles would help to separate it from political problems affecting income maintenance policy.

## **Conclusion**

The complex question of income maintenance adequacy demands clarity about objectives and clear and unambiguous ideas and language to discuss them. This condition is often lacking; indeed, in politics it may be rejected, when discourses are chosen to exclude those who are not experts in their use, those who lack power, and questions which are politically inconvenient.

The objectives themselves must be distinguished into those which meet the needs of politicians and administrators and those which ought to meet the needs of social security beneficiaries. The latter objective demands independent and reliable ways of discovering what the needs of the intended beneficiaries are, and there has to be a clear way of expressing them directly: that is a task for the empirical social sciences. Therefore, by definition, the needs of beneficiaries for a level of living minimally adequate to meet the demands of human dignity and participation in a specified social context *cannot* be described or measured simply in terms of prescriptions by politicians, however benevolent. In those countries where MIS updating was suspended because of economic (read: political) crisis, would anyone argue that the material needs of the social assistance claimants have declined or that their dignity costs less?

This report aims to help policy makers in the UK by showing that MIS can be and are being reviewed and implemented, and by reporting on the issues and methods involved. It aimed to demystify the abuse of the concepts and measures of poverty in that process. One of its targets was therefore the misleading but widespread use by social scientists of the terms ‘official

or legal poverty line' for what are nothing more than ideologically-laden political standards or abstracted statistical percentiles. Neither have any independent validity as empirical deprivation indicators.

The study's findings suggest that there are several ways in which governments can and do answer the question of how to set standards for the adequacy of income maintenance for their citizens. They are prescriptive but harmonise with publicly acceptable discourses and values. Political expediency as well as social values distinguished the countries' different MIS. Although the answers will range widely, every government must address the four key questions about adequacy – *for what? for how long? for whom? who says?* (Chapter 2). There were clear and substantial differences in the expression of class stratification in the MIS and the ways in which they were implemented in different countries' social security. And the answers to *Who says?* ranged from political consensus via statistical constructs through to detailed budget studies, which if constructed in a transparent manner on empirical evidence form a robust and politically credible basis for MIS.

Behind these practical aspects, there are others which must be taken into account by policy makers. The discourses of science and of political action about poverty concepts and measures have become confused, are confusing and ought to be clarified. Scientific poverty lines are not political MIS, and even political standards of assumed adequacy are not by that token the same as the social security or social assistance benefit scales. They are each and all distinct in concept and practice, and there is no excuse for not distinguishing them.

There has to be clarity and openness about which measure is being used for what purpose. For instance, any measure may be used to count low-income people, but a measure designed to show one thing (such as the inadequacy of incomes) should not be used for another (prescribing adequate incomes).<sup>6</sup> Similarly, there are good grounds for counting the number of people who live on the same income level as official recipients of social assistance, but that is no reason for describing this as 'counting the poor' as if there were no other standards of poverty. Again, it is worthwhile drawing up a household budget of the costs of various necessities over a period of time, as long as it is used only to indicate necessary incomes and not to prescribe behaviour.

The European Union has recommended the UK to set governmental Minimum Income Standards (EC, 1992). The lessons are clear. Social policy to relieve the human suffering which poverty means depends on knowledge, will and action. Setting adequacy standards to define the

minimum incomes below which no citizen ought to fall is an essential element of such policy. This report has outlined the knowledge of how MIS can be set, and how this is already being done as a matter of routine in other democratic countries. British government will and action are now required.

**Notes**

- 1 For a discussion of Universal Human Rights and poverty, see the chapters by van Genugten and Eide in Kjørstad and Veit-Wilson (1997).
- 2 Rhetoric about the 'underclass' reflects only the discourse of excluders. Those who suffer life on bad housing estates might not agree with excluders who control resources. Naturally the problems suffered by the excluded demand more varied solutions than MIS alone, even though adequate incomes (preferably from decent work) are essential. Few people familiar with the circumstances would consider 'common sense' the DSS claim that "Income Support allowances were considered adequate for all day-to-day needs" (reported in *The Guardian*, 1 February 1994).
- 3 The Minimum Wage may be based on hourly earnings rates aggregated to a full week or month and including other allowances to provide a minimally adequate level of living for those dependent on the income – whether this is to be a lone individual or more persons.
- 4 The Beveridge Committee acknowledged that its recommendations for minimum incomes were driven by less-eligibility and were inadequate for social life (Veit-Wilson, 1992). A MIS should not be driven by the same considerations.
- 5 'Ministerial belief' in adequacy may be powerful political magic but adds nothing to public credibility.
- 6 As has been the tragedy of UK social security: see Veit-Wilson (1992; 1994b).

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# Appendix A: The income maintenance system

The income maintenance system includes all those social institutions which affect the levels of the flows and stocks of money resources people have, with which they can meet those of their needs or capabilities for full participation in society (in Amartya Sen's formulation, 1983) which are or should be marketed in the society in which they live.

A broad definition will therefore include social and economic systems providing tangible and intangible resources such as personal *health; education* (including occupational training and qualifications); *housing; environmental protection; transportation; property* ownership giving rise to flows of usable income; and *labour market* opportunities. But anything else which affects these questions could also be included.

Seen more narrowly in terms of personal cash stocks and flows, income maintenance means – in the first place – the normally preferred sources of incomes from the system of gross *earnings* (wages, salaries and self-employed incomes, *plus* occupational benefits) and of *taxes* (indirect as well as direct, national and local taxes) and *tax allowances* and thresholds, together with aspects of personal *savings* and *investment* and the ownership of property and the transmission of wealth.

Only secondarily, when these are absent or are inadequate to meet requirements, temporarily or permanently, should the income maintenance system include contingency and residual provisions in their various forms. These include all the statutory, commercial and non-profit provisions, by categorical entitlement as well as by contribution. They may be called *social insurance, social security* or *social assistance*, and may involve the remission of charges as well as the payment of cash benefits.

Governments can influence people's earning power or living expenses by acting on all or any of these systems. Governments have many and often conflicting objectives, and can make choices about which parts of the income maintenance system to intervene in to affect the levels of income which different people in society receive.<sup>1</sup> There is much variation between social or income groups in the benefits they receive and the ways in which they are available – what is known as “the social division of welfare” (Titmuss, 1958 and a large subsequent literature).

Governments have power (even if they choose not to exercise it) to take the resources required for participation partly or wholly out of the market system and distribute them in other ways, such as on the basis of individual need or collective benefit. This can affect the experienced real levels of living, even if no change is made to cash flows. Some of these non-marketed collective resources are sometimes called ‘the social wage’.

The level of household incomes may therefore be affected by the cumulative effects and interactions of their occupational incomes of all kinds, incomes from all other private sources, tax rates and allowances, direct payments to those in work on low incomes, categorical benefits for dependencies (such as children or disability), other social security benefits, or categorical and means-tested exemptions from payments (such as for housing or medical costs). The question of the adequacy of the total household income for a level of living which allows people to take part in their society depends on government action over any of these other areas, singly or in combination. It cannot be deduced from examination of any one component of income maintenance alone. This research study therefore focused on the underlying standards of adequacy and not on the structures and levels of income maintenance benefits.

**Note**

- I Note that the term ‘government’ should not be confused with the abstraction of ‘the state’. The state comprises the whole permanent institutional apparatus of power over people in a national territory and the meanings people associate with this; the government is the temporary set of people currently holding that power and the institutions they run. The difference is very important in social policy but sometimes forgotten – but in some countries, aspects even of the statutory income maintenance system may be responsible to constitutional levels other than the government (for instance, parts of the pensions system in Finland are responsible to Parliament and not the government). Policies are what governments pursue, not states; but states embody their own ‘ways of doing things’, their social institutions, which may last longer than any governments. What we generally see is an interaction, governments adapting state institutions to their current policies.

# Appendix B: Equivalence scales

## Introduction

This report focuses only on ideas of minimum income standards; it does not go beyond the standard itself to examine differences between the assumptions about people's equivalence embodied in every income maintenance system. Equivalence scales are a separate subject for study in their own right. They have profound consequences for the design of adequate income maintenance systems. The following notes simply summarise the chief issues but do not try to reach conclusions.

## What are equivalence scales?

Equivalence scales are the measures by which comparisons can be made between the incomes, costs or expenditures of households of differing size and composed of people of differing status and age. They take a person or group of people as a unit or base, and express the other types of people or groups as proportions of it, either more or less.

For example, some take an individual adult as one unit. To meet their minimum participatory needs (or any other given standard), the evidence may show that in their social context they need an income of one unit, or their costs are one unit, or they need to spend one unit. The question is, what is the relationship between their unit and (holding the social context constant) the possibly differing income needs, costs or expenditures of another person varying by status (householder or not), age (ranging from baby through to old person), gender or any other relevant characteristic? Or if we assume that a full-time worker's wage packet should meet the needs of a stereotypical size and composition of family (often a couple with two children), then what would other kinds of family need?

## Purposes of equivalence scales

Equivalence scales are needed for several purposes:

### Counting

- At the level of the individual household: estimating the adequacy of any level of income for a given size and composition of household.
- When counting numbers of households: at levels ranging from the local to the national (for instance, to count the numbers in poverty), to be able to reduce all the various types of person with varying costs to an 'average' person with equivalent costs. The total amount of income flowing to households, or their expenditure, can then be divided by the total *equivalised* population (everyone reduced to their equivalence scales and the units summed) to give an average income or expenditure per person. This can then be compared with MIS or poverty measures to see how it compares.

### Measures of resources

Either input or output measures of resources may be used:

- *Input* measures concern the resources people need in order to make choices and be able to achieve a conventionally acceptable level of living if they choose; for example, equivalised personal disposable incomes per head. This assumes that similar incomes will give access to similar levels of living.
- *Output* measures show that people have been able to achieve the same level of living. The example of equivalised personal expenditure per head assumes that the cash measure of similar expenditure levels corresponds with qualitatively similar experienced levels of living.

### Prescribing

- Setting the levels of income maintenance benefits to achieve fairness between households of various kinds in terms of their needs for income or their ability to pay costs and charges. Examples are social security scales, means tests, tax allowances, benefits for children and maintenance payments, housing allowances.

### Base or 'benchmark'

Many MIS take as their base or 'benchmark' one of three common patterns:

- *A couple with children*: estimates made for calculating minimum wages in many countries have often been based on the needs of 'the family'. This

benchmark assumed that the income was needed for a stereotypical domestic unit with dependent children in which one adult is breadwinner and one is a non-earning household carer. How many children has varied by country, custom and time.<sup>1</sup>

- *A couple without children*: this has often been the unit used by governments for setting pension benefit levels.
- *The single adult individual*: of either working or pensionable age.

Demographic changes, such as the decline in marriage and the increase in single person and two-earner households, and the increase in single parenthood, have led governments not to use the ‘family wage’ benchmark as much as before, and to move towards equivalence scales based on the adult individual as benchmark.

### **Common problems with equivalence scales**

Very many equivalence scales have been calculated and are in use in different countries. These are some of the problems they have had to deal with:

#### *What evidence are the differences to be based on?*

- *Budget studies* can calculate fairly precisely (within a specified social context) the total or marginal cost of each kind of person or of each child of different age within a household unit, and the equivalence scales can be based on one of these estimates.
- *Empirical social surveys* of what households actually spend in order to achieve comparable levels of living, also offer evidence of the economies and costs of scale. They do not always produce the same findings as budget studies. This may be because in practice families accept economies in a number of ways (such as handing on clothes instead of buying new, or serving smaller portions of food) without appearing to lower their standards. The families may take this so much for granted as an aspect of familyhood that they experience their level of living as being just as high as that of a family with fewer children but which spends more on each of them.
- The very *lifestyles of families* with or without children may change and vary so much that quantitative comparisons are less meaningful than qualitative ones. Household members may express their qualitative standards in one way, but the evidence of their attitudinal responses to

### *Setting adequacy standards*

the subjective minimum income questions (in the Leyden and Antwerp approaches to poverty measurement) may give other evidence. Or external observers' budget standards might be used. The question then is the same as with all standard-setting – whose standard is to be taken as more important for the purpose of comparison and equivalence scales construction?

- There are also several *statistical methods* of calculating equivalence scales in use, based on asocial assumptions (such as simple proportional costs, or data from national statistics averaged over the whole population) rather than evidence of people's social needs or standards from budget studies or surveys.

### *What is the evidence of economies of scale?*

- While the budget studies and statistical approaches may assume that there are economies of scale, in practice real life is more complicated. Low-income families, for instance, may not have the cash resources or credit to be able to buy in bulk, or even to travel to where cheaper purchases can be made. A growing family (whether in number or ages of children) may outgrow its accommodation and need something larger which costs more. A sum of money which may look statistically smaller per person in a larger than a smaller family may nevertheless amount to a total beyond the capacity of the larger family to pay. The capital costs of having the first child are lower for the second if material can be passed down – but after which child must it be replaced for the next? The complex realities of social contexts cannot be captured by simple assumptions or arithmetical formulas.

### *What are the household overhead costs?*

- These are the *fixed costs* which have to be paid however many people there are in that household, and lie behind the old saying that 'two can live as cheaply as one'. In practice, fixed costs are the reason why the relation between the equivalence scale for an individual householder is not half of that for a couple. In New Zealand, for instance, the individual ranked as 100; the couple was 200; but if the individual was a householder they rated an additional 20. The relationship 60/100 is a common equivalence scale between individual/couple, even though the extra fifth

for the individual is an arbitrary ‘rounded’ addition and not based on specific evidence of actual average costs.

- The question of whether the *household overheads* should also be allocated to the costs of each child also explains some of the differences between the equivalence scales for children between budget, statistical and survey approaches.

### *What are the costs of each child, by age, sex or order?*

- There has been much but inconclusive argument about the precise costs to be ascribed to each child in setting their equivalence scales. In addition to the difference between the costs produced by budget studies, social surveys and statistical calculations (and the economies of scale arguments), there is the problem of the conflict between this data and the taken-for-granted assumptions of reasonableness. In particular, the more precise the description of the level of living to be covered, the more that the precise cash cost will vary – for instance, between boys and girls if culture prescribes different activities, or between the ages in terms of nutritional needs. UK survey evidence suggested that adolescents needed more food and wore out more clothing than adults, but the idea of therefore giving them higher social security benefits than adults has not been accepted.

### **Selected references on equivalence scales**

There is a large specialised literature on this subject, but the references on p 132 are chosen as reasonably accessible to the reader unfamiliar with econometric or mathematical modes of expression. At the time of writing, the most exhaustive survey of different equivalence scales was still Whiteford’s (1985).

### **References and additional reading**

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### Note

- 1 For instance, Rowntree assumed in setting his Human Needs of Labour (HNOL) household earned-income base in the UK in 1918 and 1937 that the conventional working-class family for which he was prescribing had about three children. The French SMIG of 1950 took two children for granted as the 'normal' number. The New Zealand Minimum Wage took two children in 1925 and three in 1936 (but New Zealand has since abandoned the idea of the 'family wage').

# Appendix C: Informants to the study 1992-94

## Informants in Australia, October 1994

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### **Australian Department of Social Security**

*Hon Peter Baldwin MP*  
Minister for Social Security

*Chris Butel*  
First Assistant Secretary,  
Strategic Development Division

*Robert Holbert*  
Director, Adequacy Project,  
Strategic Development Division

*Dr Neil Johnston*  
Deputy Secretary, Programs

*Dr Loucas Nicolaou*  
Adequacy Project,  
Strategic Development Division

*Judith Raymond*  
Assistant Secretary,  
Strategic Analysis Branch

*David Stanton*  
First Assistant Secretary,  
Family Programs and Services  
Division

### **Australian Institute of Health and Welfare**

*Dr Helen Brownlee*  
Welfare Division

*Dr Peter McDonald*

### **University of Melbourne: Institute of Applied Economic and Social Research**

*Dr David Johnson*

### **University of New South Wales: Social Policy Research Centre**

*Dr Peter Saunders*  
Director

*Dr Sheila Shaver*  
Deputy Director

*Anthony King*  
Senior Research Fellow

*Gina Mitchell*  
Research Scholar

### **University of Sydney: School of Social Work**

*Professor Bettina Cass AO*  
Professor of Social Policy

## **Informants in Belgium, June 1994**

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### **On Belgian MIS**

*Drs Karel Van den Bosch*

### **University Faculties of St Ignatius Antwerp: Centre for Social Policy**

*Tjeu van Diessen*  
Research Assistant

*Professor Dr Bea Cantillon*  
Director

*Professor Dr Herman Deleeck*  
Emeritus Professor of Social Policy

*Drs Mark Andries*  
Research Fellow

### **On European Commission views on MIS**

**European Commission:  
Directorate-General V  
(Employment, Industrial Relations  
and Social Affairs), Section C-I**

*Jean-Paul Tricart*

## **Informants in Finland, October 1993**

---

### **Ministry of Social Affairs and Health**

*Markku Lehto*  
Head of Finance and Planning  
Department

*Matti Toiviainen*  
Deputy Director,  
Social Insurance Department

*Pekka Borg*  
Research projects

*Klaus Halla*  
Senior Adviser, Finance and  
Planning Department

*Martti Lähteinen*  
Special Adviser, Social Welfare  
and Family Benefits

*Pekka Viljanen*  
Chief Inspector

### **National Research and Development Centre for Welfare and Health (STAKES)**

*Professor Hannu Uusitalo*  
Deputy Director, STAKES

*Dr Matti Heikkilä*  
Director of Social Research Unit

*Ilse Julkunen*

*Virpi Kosunen*

### **The Social Insurance Institution (KELA): Research Institute for Social Security**

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Director

*Dr Heikki Niemelä*

*Hannu Tuomikoski*

**University of Tampere:  
Department of Social Policy**

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Professor of Social Work

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Department of Social Policy**

*Professor Kari Salavuo*  
Professor of Social Policy

*Dr Olli Kangas*  
Research Fellow

*Dr Veli-matti Ritakallio*

**Åbo Academy:  
Department of Statistics**

*Professor Leif Nordberg*

**Informants in France, April 1993**

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**President's Cabinet: Centre for  
Studies in Income and Expenditure  
(CERC)**

*Catherine Borrel*

*Serge Paugam*

*Véronique Sandoval*

**Department and Laboratory of  
Theoretical and Applied Economics  
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*Valérie Lechene*

**Ministry of Social Affairs, Health  
and Urban Affairs:  
Interdepartmental Taskforce for  
Research and Development  
(MIRE)**

*Bruno Palier*

**Organisation for Economic  
Cooperation and Development  
(OECD):**

**Directorate for Education,  
Employment, Labour and Social  
Affairs**

*Mahrez Okba*

## Informants in Germany, August 1993

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### **Federal Ministry for the Family and the Elderly, Bonn**

*Ministerialdirektor Professor Dr Max Wingen*

Deputy Secretary and Head of the Department of Social Law and the Promotion of Welfare

*Ministerialrat Dr Heinrich Hübener*  
Under-Secretary and Head of the Social Law Section

### **Länder Ministries responsible for Social Assistance:**

#### **present and past Heads of Department in Bremen and Hamburg**

The Cities of Bremen and Hamburg are both independent Federal Länder; these informants in senior positions were personally involved in policy making at the German Federal level as well as at Land level

#### **Bremen**

*Dr Gerd Wenzel*

Head of the Section for Economic Assistance in the Office of the Senator for Health, Youth and Social Welfare

*Dr Peter Galperin*

former Head of the same Section, and member of the Advisory Council of the German Association for Public and Private Welfare (*Deutscher Verein für öffentliche und private Fürsorge*)

#### **Hamburg**

*Dr Helmut Hartmann*

Head of the Social Services Department in the Land's Labour, Health and Social Welfare Authority, and consultant adviser on social policy research (responsible for the design of the current MIS) to the Federal government

#### **University of Bremen: Centre for Social Policy (ZeS)**

*Professor Dr Stephan Leibfried*  
Director

*Dr Peter Klein*  
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*Dr Lutz Leisering*  
(Department of Sociology)

#### **The research in Germany was also greatly helped by advice from**

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Frankfurt

*Dr Bernd Schulte*  
Munich

## **Informants in The Netherlands, May 1994**

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### **Ministry of Social Affairs and Employment**

*Drs Wilbert van de Griendt*  
Social Security Coordination

*Drs Annemarie Vervaet*  
Economic and Income Policy

### **Social Economic Council (Sociaal Economische Raad)**

*Drs Rob Mulder*  
Secretary of Minimum Wage  
Subcommission

*Drs Dick van Doorne*  
Economic Affairs

*Drs Leo Faase*  
Social Affairs

### **National Institute for (Household) Budgetary Information (NIBUD)**

*Drs Albert Luten*  
Research Fellow

*Ir Ada van Dorp*  
Research Fellow

### **Tilburg University (KUB)**

#### **Social Security Studies**

*Professor Dr Jos Berghman*

*Dr Wim van Oorschot*

#### **Work and Organisation Research Centre**

*Professor Dr Ruud Muffels*  
Director

*Mr John Schell*

*Drs Henk-Jan Dirven*

#### **UFSIA/CSP (Antwerp)**

*Tjeu van Diessen*  
Research Assistant

## **Informants in New Zealand, October 1994**

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### **Parliamentary Opposition Office for Policy, Strategy and Communication**

*Hon Dr Michael Cullen MP*  
Opposition Spokesperson on  
Finance (former Minister for  
Social Welfare 1986-90)

*Shaun Robinson*

### **New Zealand Department of Social Welfare: Social Policy Agency**

*David Preston*  
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General Manager

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**New Zealand Treasury:  
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Chief Analyst, Welfare and Child Education Policy

**Statistics New Zealand**

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The Government Statistician

**Victoria University of Wellington  
Faculty of Commerce and Administration, Public Policy Group**

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**Massey University:  
Social Policy Research Centre**

*Professor Ian Shirley*

Director

**Economic And Social Trust On New Zealand**

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**NZ Educational Institute**

*Rosslyn Noonan*

**Consultants**

*John Cody*

*Paul Frater*

*David Robinson*

## **Informants in Norway, November 1992**

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### **Ministry of Social Affairs and Health**

*Alfred Kvalheim*

Head of Social Security Division

### **Central Bureau of Statistics (SSB)**

*Arne Andersen*

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### **National Institute for Consumer Research (SIFO)**

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### **Institute of Applied Social Research (INAS)**

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*Einar Øverbye*

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### **National Association of Local Authorities**

*Magne Hustad*

## **Informants in Sweden, November 1992**

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### **Ministry of Social Affairs and Health**

*Carl-Anders Ifvarsson*

Under-Secretary and Chair of the  
Parliamentary Committee of  
Enquiry into the Social Services

*Leif Lundberg*

Secretary of the Committee of  
Enquiry

*Sonja Helling*

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### **National Board of Health and Welfare (Socialstyrelsen)**

*Jonas Wiklund*

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**National Board for Consumer Affairs (Konsumentverket)**

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**Swedish Association of District Authorities**

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*Luis Acevedo*  
Social Worker

*Inger Gunnare*  
Social Worker

**Swedish Trades Union Congress (LO): Research Department**

*Ingemar Lindberg*  
Head of the Social Justice Project

*Per Holmberg*  
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*Professor Walter Korpi*

## **Informants in the USA, August-September 1994**

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**US Congressional Joint Economic Committee**

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Senior Economist

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**US Congressional Research Service, Library of Congress**

*Vee Burke*  
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**US Department of Health and Human Services:  
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*Dr David Ellwood*  
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*Wendell Primus*  
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Office of Program Systems

*Dr Sheldon Danziger*

*Nancy Maritato*

*[Retired] Mollie Orshansky*

**US Social Security Administration:  
Office of Research and Statistics,  
Division of Economic Research**

*Dr Denton Vaughan*

**US Department of Agriculture:  
Food and Nutrition Service**

*Bruce Klein*  
Economist

**US National Academy of Sciences,  
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**Center for Law and Social Policy**

*Alan Houseman*  
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*Dr Thomas Corbett*  
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*Setting adequacy standards*

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*Professor Robert Haveman*  
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*Dr Karen Holden*  
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*Emeritus Professor Robert Lampman*

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greatly helped by advice from**

*Professor A.B. Atkinson*  
Oxford

*Dr Elizabeth Evanson*  
Madison

*Professor Theodore Marmor*  
Yale

*Professor S.M. Miller*  
New York

*Professor Alvin Schorr*  
Cleveland

*Professor Barbara Wolfe*  
Madison