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## policy and practice

### Activation policies: policies of social inclusion or social exclusion?

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#### Introduction

Since the 1990s (western) European welfare states have adopted a series of reforms aimed at promoting the return to employment of recipients of social benefits, including social assistance benefits. These reforms have been termed ‘activation policies’ and are based on the idea that a mix of so-called enabling instruments (employment and training services) and incentives (sanctions, eligibility conditions and workfare practices) enhance the labour market participation of unemployed people (Van Berkel and Hornemann Møller, 2002). Since the last decade, activation policies that entail the activation of recipients of social assistance by both enabling policies and financial incentives have become part of the EU policies of ‘Active Inclusion’ (European Commission, 2008).

There is, however, no clear proof that the imposition of a work-related sanction on recipients of social assistance results in their re-integration in paid work under all socio-economic circumstances. Studies that have proven that work-related sanctions are very effective (for example, Arni et al, 2015; Van den Berg et al, 2004; Abbring et al, 2005; Van der Klaauw and Van Ours, 2013; Boockmann et al, 2014; Müller and Steiner, 2008; Svarer, 2011), have all been conducted in countries with relatively low levels of unemployment. In addition, these studies have mainly been focusing on recipients of unemployment benefits, who are generally more employable when compared to recipients of social assistance. In contrast, some of the sparse studies on work-related sanctions imposed on recipients of social assistance with low job prospects are less optimistic (Kok and Houkes, 2011; Rosholm and Vejlin, 2010; SEOR, 2006; SEOR and Regioplan, 2014). For these recipients, the imposition of work-related sanctions may have the effect that their income falls (far) below the poverty line.

In the critical literature (for example, Handler, 2003) it has been argued that work-related sanctions as part of policies of social inclusion may in addition to the social inclusion of recipients also result in their social exclusion, as sanctioned recipients may face severe financial problems. More recent studies seem to suggest that countries that show high rates of social exclusion and poverty have implemented (very) high work-related sanctions compared to countries that show relative low risks of social

exclusion and poverty (for example, Marchal and Van Mechelen, 2013; Langenbucher, 2015). Unfortunately, these studies either lack the precision necessary to adequately measure the harshness of the work-related sanctions, or these studies lack data on work-related sanctions that are implemented in benefit schemes of the last resort (for example, social assistance benefits). In any case, thus far the European commission has not shown any interest in the possible re-enforcing relationship between these work related sanctions and the risk of social exclusion and poverty (for example, European Commission, 2008; 2010; 2013). The aim of this paper is to further explore the EU-wide assumptions about the effectiveness of work-related sanctions.<sup>1</sup>

## **Work-related sanctions and the risk of social exclusion and poverty**

This section contains the main results of the research on the extent of work-related sanctions and its relation to the risk of social exclusion and poverty in 25 European welfare states. The next subsection briefly addresses the selection of European welfare states, followed by an explanation of the construction of the sanction indicator. The next section after that examines the sanction indicator of 25 European welfare states, with a subsection analysing the relation between the ranking on the sanction indicator list and the risk of social exclusion and poverty.

### *The selection of the countries*

The goal of this project was to investigate the level of sanctioning in EU member states and European welfare states whose social policies are closely related to that of EU member states (that is, the European Economic Area and Switzerland). We were able to gather data for 25 European welfare states on the basis of questionnaires that were completed by legal and social policy specialists and included 23 EU member states (AT, BE, BU, CZ, DK, ES, EE, FI, FR, GE, HG, IE, IT, LT, LU, NL, PL, PT, RO, SI, SK, SE, UK), one country belonging to the European Economic Area (NO) and Switzerland (CH). The questionnaires were completed in the period between February 2015 and November 2015 and they reflected legislation of each country on 1 January 2015.<sup>2</sup>

### *The creation of a sanction indicator and mitigation indicator*

The questionnaire asked which sanctions could be imposed in case a recipient of social assistance failed to fulfil one or more of the work-related requirements:

1. register with an employment office;
2. sign an integration or insertion contract;
3. comply with job research requirement;
4. participate in a job community programme;
5. participate in a training programme;
6. participate in an employment programme;
7. other.

In order to construct the sanction indicator, data from the questionnaire were categorised. First of all, I noticed that most countries impose sanctions on five or

more Active Labour Market Policy (ALMP) faults. This constituted the first element of the sanction indicator (see Box 1, element 1). Consequently, I noticed that some countries terminated the benefits or reduced the benefits 100 per cent after a first fault and for a fixed period, although the length of the period differed. This enabled me to establish three more indicators (see Box 1, elements 2–4). In addition to this group of countries, I found that other countries terminated the benefits or reduced the benefits by 100 per cent after a second or a third fault. In this category, I also noticed a variation between countries adopting a fixed period of termination (or a 100 per cent reduction for a month), countries that allow for reparation, and countries that allow the sanction percentage to vary (that is, ‘up to a 100 per cent reduction’). As a result, three additional indicators were added (see Box 1, elements 5–7). Finally, I found a few countries that reduce the benefits less than a 100 per cent after a first fault (see Box 1, elements 8–9). In sum, instead of (partly) formulating indicators in advance, which we have seen in other studies (Langenbucher, 2015; Marchal and Van Mechelen, 2013; Venn, 2012), the sanction indicators were entirely deducted from the data. Consequently, each indicator was formulated in a way that the mildest indicator automatically (that is, Box 1, elements 8 and 9) also included countries that have adopted the harshest sanctions (that is, Box 1, elements 2–9). Each indicator counted for one point (elements 1–9).

In addition, in contrast to other studies (for example, Marchal and Van Mechelen, 2013), this study also incorporated the regulation of mitigation clauses in the sanction indicator. For this purpose, the country specialists were asked to translate the legal text in English containing these kinds of clauses, which enabled me to classify the clauses in a similar way. The study distinguishes between four kinds of mitigation clauses:

- discretionary clauses: sanctioning regulations including a ‘can clause’, implying that the decision maker is not obliged to impose the sanction in case the recipient fails to fulfil a work-related requirement;
- good reasons clauses: sanctioning regulations specifying that the sanction will not be imposed in case the recipient provides a good reason for not complying with the work-related requirement;
- reparatory clauses: sanctions regulations which impose a duty on the decision maker to withdraw a sanction in case the recipient after having failed to comply with the work-related requirement, decides to comply with the work-related requirement after all;
- hardship clauses: regulations that stipulate that sanctioned recipients retain the right to allowances in order to provide for food and other basic supplies.

The absence of a reparatory clause and a hardship clause each counted for one point. The absence of a discretionary clause counted for one point on the condition that the legislation did not contain a good reason clause (see Box 1, element 12). If the legislation did not contain a discretionary clause, but nonetheless contained a good reason clause, 0.5 point instead of 1 point was added to the sanction indicator (see Box 1, element 13).<sup>3</sup> As a result a sanction indicator was constructed consisting of 13 elements with a maximum of 12 points (9 points for measuring the sanction and 3 points for measuring the mitigation of the sanction).<sup>4</sup>

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**Box 1: Elements of the sanction indicator**

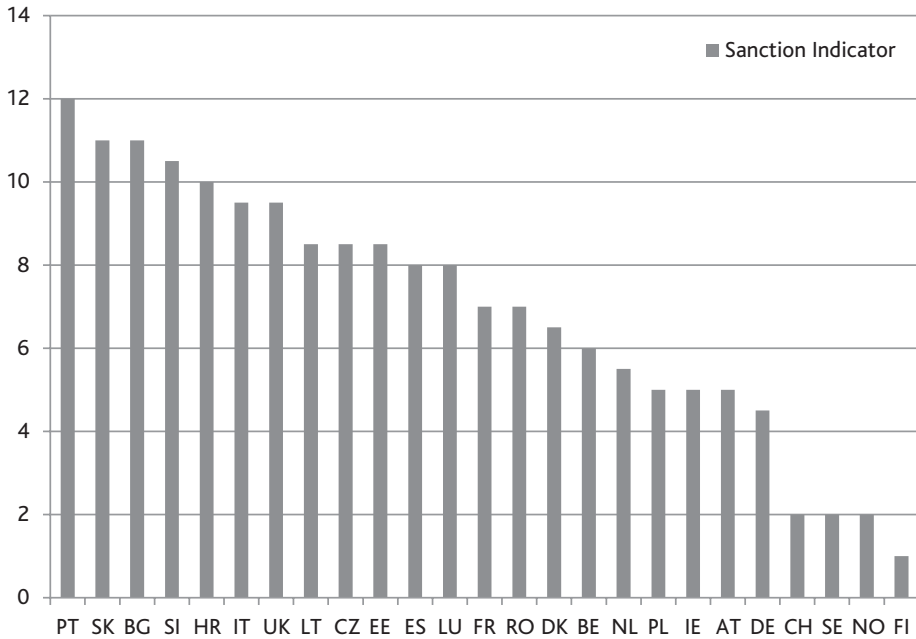
- 1 Sanctions are imposed on five or more ALMP related faults.
  - 2 Termination or a reduction of 100% after a first fault for a fixed period of six months and more.
  - 3 Termination or a reduction of 100% after a first, second or third fault for a fixed period of 12 months and more.
  - 4 Termination or a reduction of 100% after a first fault for a fixed period.
  - 5 Termination or a reduction of 100% after a first, second or third fault with and/or without a fixed time period (that is, immediate reparation of the fault is possible) and excluding those countries who have adopted a discretionary clause with regard to the percentage of the sanction (that is, up to 100%).
  - 6 Termination or a reduction of 100% after a first, second or third fault, with and/or without a fixed time period (that is, immediate reparation of the fault is possible) and including those countries who have adopted a discretionary clause with regard to the percentage of the sanction (that is, up to 100%).
  - 7 100% reduction, fixed period of one month or more after a first, second or third fault.
  - 8 Termination or reduction of more than 50% (that is, 51% and more) after a first fault, excluding those countries who have adopted a discretionary clause with regard to the percentage of the sanction (that is, up to 100%).
  - 9 Termination or reduction of more than 50% (that is, 51% and more) after a first, second or third fault, including those countries who have adopted a discretionary clause with regard to the percentage of the sanction (that is, up to 100%).
  - 10 The sanction clause does not contain a reparatory measure.
  - 11 The sanction clause does not contain a hardship measure.
  - 12 There is no discretionary space with respect to the decision as to whether a sanction will be imposed and there is no good reason clause.
  - 13 There is no discretionary space with respect to the decision as to whether a sanction will be imposed, but the sanction clause contains a good reasons clause (that is, the sanction is not imposed where there is a good reason not to).
- 

**The sanction indicator**

The completed questionnaires showed, first of all, that almost all countries have adopted a wide range of sanction-backed activation measures in their social assistance regimes. Bulgaria and Lithuania are the only countries that have not adopted at least five out of six work-related sanctions into their social assistance system. Hence, when it comes to social assistance schemes, most European (member) states seemed to have turned to activation states. In addition, the completed questionnaires showed that in some countries different sanction regimes apply, dependent on the kind of work-related fault that has been committed. However, a comparison between the rankings of the country on the low-sanction and the high-sanction indicator list revealed only small differences. Remarkably, the largest differences were found with

respect to the rankings of the Danish and the Dutch sanction indicator. A possible explanation for this is that Denmark and the Netherlands have been able to develop a more fine-grained sanctioning regime, as a result of their relative long experience with activation policies (Lødemel and Tricky, 2001). Whereas a high-sanction has a stronger effect on the income of recipients of social assistance compared to a low-sanction, it was decided to focus on the high-sanction indicator. Figure 1 presents the sanction indicator, including the mitigation indicator, for the high sanctions.

**Figure 1: Sanction Indicator including mitigation and Mitigation Indicator (high-sanctions)**



Source: Constructed by author

### *The correlation between the sanction indicator and the at-risk-of-poverty or social exclusion indicator*

In a final step, I analysed the relation between the ranking on the sanction indicator list and the risk of social exclusion and poverty. For this purpose, I used the 'at-risk-of-poverty or social exclusion indicator' that has been developed by the EU in order to monitor progress towards the targets of the Europe 2020 Strategy. This indicator consists of three sub-indicators that are derived from EU statistics on income and living conditions data. The at-risk-of-poverty or social exclusion indicator includes people who are at least in one of the three sub-categories. These sub-categories are:

1. a relative component: the *at-risk-of-poverty rate* or monetary poverty. People at-risk-of-poverty have an equivalised disposable income below the risk-of-poverty threshold, set at 60 per cent of the national median equivalised disposable income (after social transfers).

2. an absolute component: *material deprivation*. People who suffer from *severe material deprivation* experience at least four out of the nine following deprivations items. They cannot afford: to pay rent or utility bills; to keep their home adequately warm; to face unexpected expenses; to eat meat, fish or a protein equivalent every second day; a week's holiday away from home; a car; a washing machine; a colour TV; or a telephone.
3. an exclusion of labour market component: *severe low work intensity*. People living in households with very low work intensity are those aged 0–59 living in households where adults worked less than 20 per cent of their total work potential during the past year.<sup>5</sup>

Note that of these three elements, the indicator 'severe material deprivation' is most closely related to the threshold of basic means of subsistence, as it refers to absolute poverty. Instead, the indicator 'at-risk-of-poverty rate' refers to relative poverty. For this study, the indicator 'severe low work intensity' is less relevant, because in addition to the number of unemployed people, it can also refer to other people such as those who are disabled for work (and perhaps receive disability benefits).

**Table 1: The relationship between the high-sanction indicator and indicators of risk of poverty and social exclusion**

	<i>Percentage of people at risk of poverty and social exclusion</i>	<i>Percentage of people at risk of poverty</i>	<i>Percentage of people younger than 60 living in a household with very low work intensity</i>	<i>Percentage of people who are severely materially deprived (excl. BG and RO)</i>
Spearman's correlation	0.509	0.411	0.287	0.691 (0.704)
Significant at	0.009	0.041	0.165	0.000 (0.000)
Number of observations	25	25	25	25 (23)

Source: Eurostat Data (2014)

Table 1 indicates a moderate positive Spearman correlation between the high-sanction indicator and the broad at-risk-of poverty or social exclusion indicator (0.509). We find a low Spearman correlation between the (high-) sanction indicator and the percentage of people living in a household with very low work intensity (0.287). This correlation is not significant. We find a significant, but also low correlation between the high-sanction indicator and the percentage of people at risk of poverty (0.411). However, we find a moderate-high Spearman correlation between the high-sanction indicator and the percentage of people who are severely materially deprived (0.691). If we leave out the outliers, Spain and Ireland (see Figure 2), the correlation increases a little (0.704).

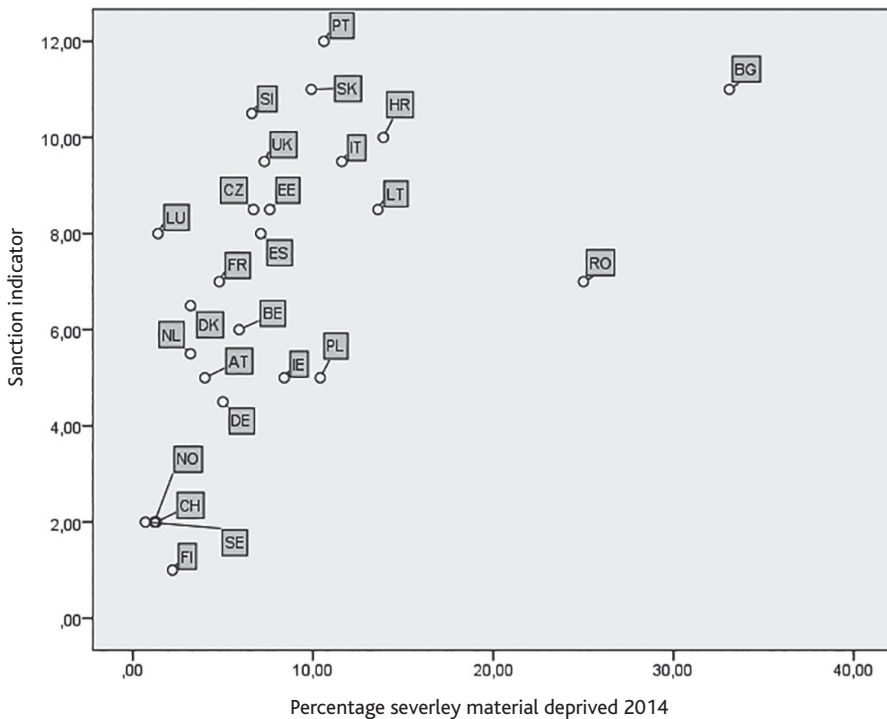
Based on Figure 2 we can again distinguish three groups of countries:

The first group of countries consists of countries that have adopted relatively harsh work-related sanctions and that have a relative high percentage of severely materially deprived people (BG, HR, IT, PT, SI, SK and UK).

The second group of countries is a large intermediate group which has adopted sanctions that, compared to other sanctioning systems, cannot be classified as harsh sanctions and which a percentage of severely materially deprived people are – compared to the other countries – not specifically high or low (AT, BE, CZ, DE, DK, EE, ES, FR, IE, LT, LU, NL, PL and RO).

The third group of countries consist of countries that have adopted relatively mild work-related sanctions and that have a relative low percentage of severely materially deprived people (CH, FI, NO, SE).

**Figure 2: The relationship between the percentage of people who are severely materially deprived in 2014 and the sanction indicator**



Source: Eurostat data (2014)

## Conclusions, discussion and recommendations

This study has explored and systematised the relationship between the harshness of work-related sanctions in social assistance benefit schemes and the risk at social *exclusion* and poverty in 25 European welfare states. The analysis shows that there is a correlation between the harshness of the work-related sanction and the risk of severe material deprivation. These results cast doubt on the current approach of European

Union policies that consider the work-related sanction exclusively as an instrument of activation policies. The analysis suggests that the regulation of work-related sanctions – as a part of policies of ‘Active Inclusion’ – might also lead to material deprivation and (or even social exclusion). However, more research is needed in order to establish a causal relationship. In this respect, this study should be conceived of as a first part of a much more detailed analysis. Regarding the fact that most empirical studies on the implementation of activation policies have been conducted in countries that score relatively low on the sanction indicator lists (for example, Denmark, the Netherlands and Norway), it is recommended to conduct future empirical research on the practical implementation of the work-related sanctions and its effects on the material deprivation of recipients of social assistance in countries that score high on the sanction indicator, such as Portugal, Slovakia, Bulgaria, Slovenia, Croatia, Italy and the UK.

## Notes

<sup>1</sup> For more results (and data) see Eleveld (2016).

<sup>2</sup> With the exception of Italy where we also considered some important legislative changes in 2015.

<sup>3</sup> It was assumed that the absence of a discretionary clause (1 point) also implied the absence of a good reasons clause. In order not to count the ‘same thing’ twice, no additional (that is, second) point was added.

<sup>4</sup> The relative weight given to the mitigation clauses could be refined in future studies.

<sup>5</sup> For further information, see Eurostat (2013).

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