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1. INTRODUCTION

1.1. FOREWORD

The European Institute of Public Administration (EIPA) in cooperation with the Ministry of the Interior and Kingdom Relations of the Netherlands ('the Ministry') is conducting a benchmarking study 2022–2025, having as an objective an in-depth analysis of public sector performance in 35 countries. It is the fourth edition of the study with previous reports published in 2004, 2012 and 2015. The current edition updates key indicators and extends the previous editions by including additional indicators and policy areas. In the course of 2022 to 2024, the programme analyses public sector performance in ten policy areas; in 2025, the respective sub-studies will be updated and revised to include the latest data and recent developments and trends.

This publication presents the findings of the 10th chapter of the 2022 – 2025 benchmarking study entitled International best practices in social security systems, which is also the 3rd chapter of the 2024 sub – study. The remaining two chapters of the current sub-study cover the following domains:

- health
- sports, culture and participation

The entire 2024 sub-study will be published in the beginning of February 2025, after the final conference presenting the findings of the three chapters.

The Public Sector Performance Programme is conducted thanks to the generous grant of the Ministry, which enables the extension in terms of scope and depth of analysis of public sector performance in respective policy areas. From the Ministry side the programme is led by Frans van Dongen (Programme Manager Public Performance). The EIPA team is very grateful to him for his support throughout the project and is particularly happy about the fruitful cooperation with the Ministry. The EIPA team consists of Dr. Iwona Karwot (Project Leader and Senior Lecturer), Miranda Lovell-Prescod (Researcher and EIPA Data expert), Paolo Giovanetti (Research Assistant) and Björn Hölbling (Digitalisation Officer & Researcher).

The EIPA team wishes to express its gratitude to external experts involved in the preparation of the 10th chapter: Prof. Dr. Daniël van Vuuren, Kim van Berkel, Jellien Knol and Francesca Schoenmaker; and the ICTU for co-funding the research for this chapter.

3. INTERNATIONAL BEST PRACTICES IN SOCIAL SECURITY SYSTEMS

SUMMARY

This report studies six potential best practices in social security policies and their implementation from a selection of OECD countries, focusing on social assistance, housing benefits, family benefits, healthcare and fiscal policies aimed at low-income households. Tax credits in New Zealand stand out in terms of operational efficiency and high take-up rates, and Danish activation policies for social assistance recipients stand out in terms of positive labour market outcomes. A general trade-off, particularly witnessed in New Zealand and the United Kingdom, is that relatively successful policies are more difficult and costly to start. Another general trade-off, particularly observed in Denmark and Germany, is that targeted policies involve more administrative burden. Finally, we find that more effective income support correlates with a low administrative burden for the applicant.

The goal of this research is to identify international best practices in the organisation of social security. The report starts with a broad scan of social security systems in Australia, Canada, Denmark, Finland, Germany, the Netherlands, New Zealand, Norway, Sweden and the United Kingdom, focusing on benefit regulations, the organisations involved and the application processes. The broad scan covers social assistance, housing benefits, family benefits, healthcare and fiscal policies aimed at low-income households.

Based on this broad scan, the study continues with the analysis of six specific case studies which could be inspiring policies for other countries. These are: the focus on schooling in Denmark, the 225-hour rule in Denmark, the separation of social assistance, and housing and child benefits in Germany, refundable tax credits in New Zealand, social assistance and housing benefits in Sweden and Universal Credit in the United Kingdom. These six cases are assessed with respect to their administrative burden, the effectiveness of income support, targeting, labour market and education outcomes, income security, the financial position of the recipients and feasibility of implementation (Table S.1). The assessments are based on both empirical findings and theory.

Focus on schooling in Denmark

A primary goal of social assistance for young people (under 30 years) in Denmark is to have as many of them as possible start and complete an education. Young social assistance recipients who have not previously completed at least a vocational education programme, but should be able to do so, are steered towards education and receive lower social assistance (comparable to a student grant). In theory, the policy targets those who are expected to be able to start and finish an education, but this categorisation proves to be difficult in practice.

The focus on schooling in Denmark leads to improved labour market and education outcomes on the one hand, and an increased administrative burden for implementing organisations and a worse financial position for those who do not comply on the other. The lower social assistance rates increase the share of young unemployed people and young social assistance recipients in education by about 20 per cent, and there are small positive effects on the share of young unemployed people and young social assistance recipients that find employment.

The administrative burden is increased, because caseworkers must first assess whether the social assistance applicant is ready for schooling, and if so, set up an education plan. Employment is increased through two mechanisms. First, the policy incentivises social assistance recipients to follow an education, and the improved educational outcome leads to an improved labour market outcome. Second, the lower social assistance rates incentivise young people to leave social assistance and accept paid work more often. However, this leads to a worse financial position for those who do not enrol in education or find employment.

225-hour rule in Denmark

Danish social assistance recipients who are not in an education programme and are able to work 225 hours per year, are expected to work at least this number of hours in unsubsidised employment. Individuals who do not comply, face a benefit reduction of up to 50 per cent. There are some exemptions, although it is not always clear for whom. Caseworkers seem to make some arbitrary choices, leading to different implementations of this policy in practice. Thus, in theory the policy targets those who are able to work, but this categorisation proves to be difficult in practice.

The 225-hour rule seems to improve labour market outcomes for social assistance recipients, but worsens the financial situation of those who do not comply and increases the administrative burden for implementing organisations.

After the introduction of this policy, the percentage of social assistance recipients performing paid work rose from about 5 per cent to 8 per cent, and the outflow out of social assistance increased. About 12 per cent of all social assistance recipients were sanctioned because of the 225-hour rule. A significant share of social assistance recipients is not aware of how they can prevent being sanctioned, which reduces the effectiveness of the policy and leads to worse financial outcomes. The administrative burden mainly relates to the caseworkers who determine whether or not someone should be exempted from the 225-hour rule.

Table S.1: Important differences between the relative performances of the six case studies

	Focus on schooling (Denmark)	225-hour rule (Denmark)	Separate social assistance and benefits (Germany)	Refundable tax credits ^a (New Zealand)	Two housing benefits (Sweden)	Universal Credit (UK)
Administrative burden implementing organisations	—	—*	—	+	—	0
Administrative burden households	0	0	—*/ +	+	—	+*
Effectiveness of income support (a.o. take-up rates)	0	0	—*	+*	—	+
Targeting of activation programmes and incentives	+	+	+	0	0	0
Labour market and education outcomes	+**	+*	0	0	—	0
Income security	0	0	—*	—*/ +	+	—*/ +
Financial position recipient	—*	—*	0	0	+*	0
Feasibility of implementation	0	0	0	—	0	—

Source: SEO Amsterdam Economics

Note: The impacts are assessed as if this case was implemented in another country where this specific policy is currently not part of the social security system. + indicates a positive impact, — indicates a negative impact, 0 implies no impact, —/+ indicates both negative and positive impacts, for different groups, 0/+ indicates no or a positive impact, for different groups. * indicates documented evidence and ** indicates causal evidence. The impacts do not indicate any magnitude of effects. Also, importantly, the impact depends on a country's institutional context.

^a When the eligible credit amount is higher than the tax owed, a refundable tax credit ensures that the difference is paid as a refund.

Separation of social assistance and benefits in Germany

In Germany, social assistance on the one hand and housing and child benefits on the other, are mutually exclusive. Households receiving social assistance are not eligible for housing and child benefits and vice versa. In this manner, both social assistance and reintegration policies can be targeted at the lowest incomes. In addition, (near) zero income households only need to go through one application process to receive all available income support and as a consequence, face little income uncertainty.

However, the mutual exclusiveness implies a cut-off income level at which households should switch between schemes. This creates an administrative burden for both the households and the implementing organisations, particularly when the household income fluctuates around this cut-off point. This decreases income security for households around the cut-off point. Households need to switch benefits when their income crosses the cut-off point. They need to work out which scheme to use and often seem to make suboptimal choices. Roughly 8 to 14 per cent of the households that use a benefit scheme are in a suboptimal scheme.

Refundable tax credits in New Zealand

In New Zealand, all family benefits are paid through the tax system. The refundable tax credit depends on household income, the number of children and the ages of the children. If the household prefers to receive the tax credit as a lump sum at the end of the fiscal year, the amount is based on actual income. If a weekly or fortnightly payment is preferred, the tax credit is based on the estimated household income.

Organising family benefits through the tax system increases operational efficiency, decreases the administrative burden, increases take-up rates and can improve income security. The administrative burden for the implementing organisation is relatively low, because the tax office already possesses income data and does not need to retrieve it from other organisations. The administrative burden for households is also low, as they do not need to take any other action than filing their tax returns. Tax filing in New Zealand is relatively simple and is done automatically for

households on social assistance or unemployment benefits, and for households with only wage income. This low administrative burden, and the fact that in principle everybody files their tax returns, results in high take-up rates. The income security for households receiving the lump sum is increased, because the amount that is paid out is based on actual income. However, households receiving weekly or fortnightly payments still run the risk of having to make repayments; in 2023, one to two per cent of individuals aged 15 to 65 had to repay tax credits. A limitation of this policy is that its initial implementation is complicated.

Social assistance and housing benefits in Sweden

In Sweden, social assistance includes a housing supplement in addition to the regular housing allowance, which ensures full coverage of housing costs for all social assistance recipients. The combined social assistance and housing benefits are therefore relatively generous.

The full coverage of housing costs through two different schemes leads to a relatively high administrative burden for both implementing organisations and households. Households need to apply twice, and different implementing organisations must verify similar documents. The housing allowance is ineffective for income support to social assistance recipients, because a change in the housing allowance will cancel out the housing supplement. The substantial benefit amounts may lower work incentives for social assistance recipients. Finally, the full coverage of housing costs reduces the need to find cheaper housing and hampers housing market allocations.

Universal Credit in the United Kingdom

The United Kingdom has combined six different means-tested benefits into one payment, called Universal Credit. Households need to apply only once to receive this combined payment. The amount is based on the eligibility criteria for each benefit separately, and depends on the actual income earned in the previous month.

Universal Credit reduces the administrative burden for households and increases take-up rates. A main advantage is the simplified and combined application process. Calculation of the benefit based on the actual income in the previous month leads to greater income security, as there are fewer repayments. However, a change in income directly leads to unexpected benefit changes, which results in difficulties for household budgeting. Therefore, it remains uncertain whether Universal Credit has positive effects on income security. This policy has opportunities for high operational efficiency, but it is too early yet to determine if that will be realised.

3.1. INTRODUCTION

This study uses desk research to gain insight into ten diverse social security systems. At first, the social security systems regarding social assistance, housing benefits, family benefits, healthcare and fiscal policies in ten countries are outlined. Subsequently, in-depth analyses are conducted on six different aspects of the social security system across various countries.

3.1.1. Research question and objective

The goal of this research is to identify international best practices regarding the organisation of social security systems. Social security policies can be relatively effective and/or efficient when compared with different countries. Such arrangements can inspire other countries to follow the example that has been set. The central research question is:

What lessons can the Netherlands and other countries draw from different social security systems?

In this research we consider social security policies, and also fiscal policies insofar as they have the same goals as social security. The general goals of social security policies are: providing income insurance, reducing poverty and inequality, and stimulating labour participation. Fiscal policies are often also used to achieve these goals, but fiscal policies with different objectives are not part of this research.

3.1.1.1. Selected countries

The countries taken into account in this study are Australia, Canada, Denmark, Finland, Germany, New Zealand, Norway, Sweden and the United Kingdom, as well as the Netherlands itself. The selected countries were chosen because they show a certain resemblance to the Netherlands in terms of institutions, demographics and economic development, have sufficient accessible study materials available and collectively offer a broad scope of relevant and inspiring policies.

3.1.1.2. Selection of policies

The considered policies encompass social assistance, housing benefits, family benefits, healthcare benefits and fiscal policies. These policies are selected based on their goals to provide income insurance, reduce poverty and inequality, and stimulate labour participation. Consequently, only fiscal policies aimed at reducing the tax burden for low-income groups or at increasing labour participation are taken into consideration. Fiscal policies aimed at wealth or businesses are therefore excluded. For each policy included, the following aspects are considered: a description of the policy itself, details of the organisation involved and information on the application process for accessing the policy's benefits.

3.1.2. Methodology

The quick scan has been conducted based on desk research. It encompasses a review of policies from various sources, including the EUROMOD Country Reports, Social Security Reports by the European Commission and OECD TaxBen Country Reports. To complement the overview of policies with details about the organisations involved and the application process, information from government websites and legal documents has been gathered.

The performance of these policies is judged based on several indicators. These indicators can be categorised in four groups: poverty measures, inequality measures, usage measures and spending measures. They are selected to cover different types of effectiveness and efficiency (see Box 1.1). The group of poverty measures contains poverty rates, poverty reduction after income transfers and taxes, and income levels for two household types. The group of inequality measures contains the Gini coefficient, the S80/S20 ratio and the redistribution effort measure. The group of usage measures contains unemployment rates, employment rates, usage rates and duration of social assistance. The group of spending measures contains social spending as a percentage of GDP and government spending, share of administrative cost and efficiency of social expenditure. The indicators used are sourced from OECD data.

The cases are constructed through a combination of desk research and discussions with social security experts, with the objective of collecting information on specific aspects and outcomes of the relevant social security system. During the desk research phase, academic literature, policy evaluations and published insights from policy researchers, for instance those in newspapers, are used. The information gathered during the desk research is supplemented with additional details obtained through conversations with experts.

Definitions of effectiveness and efficiency

- The effectiveness of the social security system relates to its main functions: providing income insurance, reducing poverty and inequality, and stimulating labour participation.
- Economic efficiency occurs when resources are utilised optimally to achieve the highest possible level of overall welfare or utility. Economic efficiency takes into account both the production process and the allocation of resources, in a way that balances societal costs and benefits.
- Operational efficiency aims to minimise costs, increase productivity and enhance overall performance. It is achieved by streamlining processes, reducing waste and optimising resource utilisation. Costs, productivity and performance are viewed in a broad sense, e.g. including non-monetary aspects. Examples of non-monetary aspects of operational efficiency are: simplicity and clarity for households and businesses, a low administrative burden, the completion of tasks within the shortest possible time frame, minimising delays, as little uncertainty as possible for households and businesses, and integration with other relevant institutions.
- Cost efficiency relates to achieving the desired output or outcome at the lowest possible cost. It involves minimising expenses and ensuring that resources are used efficiently to achieve cost savings without compromising quality.

3.1.3. Motivation for the six cases

This section explains the motivation behind the selection of the six cases. The motivation is based on the findings outlined in Chapters 2, 3 and 4, as well as on expectations derived from academic literature. Per selected case, a brief reasoning is given.

Focus on schooling in Denmark

Danish social assistance contains several, internationally unique, targeted activation policies. One such policy is the focus on schooling for young social assistance recipients. Social assistance recipients younger than 30 years who have not previously completed at least a vocational education programme, but should be able to do so, face lower social assistance rates. To target these education efforts at the right group, social assistance recipients are categorised based on age, educational attainment and 'readiness' for education. This targeted financial incentive has the potential to significantly increase educational qualifications among young social assistance recipients, without financially harming those who are not able to enrol in education due to, for example, health reasons (Kleif & Nielsen Arendt, 2020).

225-hour rule in Denmark

Danish social assistance contains several, internationally unique, targeted activation policies. One such policy is the 225-hour rule, which dictates that people who have received social assistance for one year or more within a three-year period, must work at least 225 hours annually in ordinary, unsubsidised employment to retain their full social assistance rates. Exemptions and extensions are possible for individuals who cannot comply to the rule due to, for example, health reasons. This targeted financial incentive has the potential to significantly increase employment among social assistance recipients, without financially harming those who are not able to work (Finansministeriet, 2019).

Separation between social assistance and benefits in Germany

In Germany social assistance, and housing and child benefits, are mutually exclusive. It is interesting to examine how this fact influences the application procedure, take-up rates and system efficiency. This mutual exclusiveness means that households that receive social assistance are not eligible for housing and child benefits, making social assistance the sole benefit which they need to apply for. This can simplify the application process for households with (near) zero income levels, reducing the need for navigating through intricate social benefit systems and lowering administrative burdens. Currie (2004) observes that lowered administrative barriers lead to higher take-up, especially when such barriers are diminished across the entire system, as is the case with social assistance in Germany. However, it can also increase complexity because of the need to switch benefits if income increases.

Refundable family tax credits in New Zealand

In New Zealand, there are four refundable tax credits targeted at families with children, consolidating all child benefits within the tax system. These tax credits closely resemble the cash transfer concept of child benefits seen in other countries. New Zealand is rather unique in distributing child benefits through the fiscal system. The fiscalisation of child benefits places a significant focus on targeting low-income households, although the average child tax credit often falls short of the levels guaranteed by cash transfer child benefits (Ferrarini et al., 2012). Furthermore, governments that have introduced benefits through the tax system argue that fiscalisation simplifies the process, but improvements in simplicity are found to be greater in theory than in practice (Kesselman, 1993). Additionally, organising child benefits through the fiscal system may improve take-up rates, as administrative barriers could be lower, and the associated stigma may be perceived as less pronounced (Ko & Moffitt, 2022).

Social assistance and housing benefits in Sweden

The Swedish social assistance scheme is characterised by the fact that social assistance includes housing costs and consequently benefit amounts are higher than in other countries under study. In addition to the housing supplement for social assistance recipients, a housing benefit for young people, people with children and older people is available. This means that in Sweden, housing costs are covered in full as long as they are assessed to be reasonable. Providing a housing supplement in addition to social assistance makes Sweden an interesting case to see how these benefits interact.

Universal Credit in the United Kingdom

The United Kingdom has been chosen for an in-depth analysis since it simplifies social assistance by combining six means-tested benefits into one monthly payment. The social assistance scheme in the Netherlands is often considered to be too complicated as it includes a wide range of benefits. This makes it interesting to see how a simpler system works. For instance, simplicity is expected to increase take-up rates and thereby reduce poverty for children and working-age adults (Department for Work and Pensions, 2010). Furthermore, according to Amaglobeli et al. (2023) simplification and automatisisation enables governments to improve the efficiency of public spending. It is therefore interesting to see if the administrative burden has decreased as a result of the implementation of Universal Credit.

3.1.4. Structure of the report

The rest of the report is structured as follows. Chapter 2 describes the social security system of each country under research. The chapter starts with an introductory section that provides an overview of various aspects of social security systems to enable a comparison between the countries. Thereafter, Sections 2.2–2.11 describe the benefits, the institutions involved and the application process for social assistance, housing benefits, family benefits, healthcare and fiscal policies for each researched country. Chapter 3 presents indicators related to poverty, inequality, outcome performance and social spending. Chapter 4 focuses on the connections between the indicators discussed in Chapter 3 and the corresponding social security systems described in Chapter 2. Chapters 5–10 present case studies focusing on specific aspects of the social security system in Denmark, Germany, New Zealand, Sweden and the United Kingdom. Chapter 11 contains a synthesis of the most important findings. Definitions of terms used throughout the report are provided in the glossary in Appendix A.

3.2. SOCIAL SECURITY SYSTEM PER COUNTRY

The countries under study exhibit variations in their social security systems with regard to the implementation level and the type of benefits. Nonetheless, clusters of countries with rather similar social security system emerge, such as Australia and New Zealand, as well as the Scandinavian countries Denmark, Sweden and Norway.

This chapter provides insights into the social security systems of each country and presents the results of the indicators. First, an overview of the different aspects of social security systems is given. This overview gives insight in the differences between countries. Thereafter, the social security system of each country under study is discussed in more detail, emphasising social assistance, housing benefits, family benefits, healthcare and fiscal policies. Each subsection about a country provides details about the policies, the organisations involved and the application processes.

3.2.1. Overview

The ten countries under research have varying social security systems, with significant distinctions in terms of benefit policies, their implementation and execution (see Table 2.1 and Table 2.2). Table 2.1 addresses whether policies are implemented and executed at the national or local level. Table 2.2 is divided into three sections. The first focuses on the types of benefits and the interplay between benefits; the second summarises the healthcare and fiscal system; the third provides a comparison of activation and reapplication policies.

In most countries, benefit amounts for all policies are regulated at the national level. This means there are overarching regulations at the national level, although the actual benefit amounts may vary across regions. Sweden is a notable exception, as it employs a mixed approach and determines healthcare benefits at the local level. Canada stands out by setting almost all policies at the local level. The implementation of benefits is more divided between the national and local level. Countries such as Australia, Finland, New Zealand and the United Kingdom still handle everything at the national level, while in Denmark, Germany and Sweden the responsibility is shared with local institutions. Furthermore, fiscal policies across all countries predominantly reside at the national level, occasionally accompanied by additional regulations at the local level, as seen in Canada, Finland, Norway and Sweden.

Table 2.1: Overview of implementation levels of nine social security systems

	Australia	Canada	Denmark	Finland	Germany	Netherlands	New Zealand	Norway	Sweden	United Kingdom
Determination of benefit amount	national	local ^a	national	national	national	national	national	national	national & local	national
Implementation of benefits	national	local ^a	national & local	national	national & local	local	national	national & local	national & local	national
Execution of fiscal policies	national	national & local	national	national & local	national	national	national	national & local	national & local	national

Source: SEO Amsterdam Economics

Note: ^a All benefits are determined at the local level, except child benefit

Many of the studied countries have some other, integrated benefits in social assistance. For instance, Australia and New Zealand have integrated unemployment insurance in social assistance. In Canada, Germany, Sweden, Finland and Norway, housing benefits are included in social assistance, effectively providing compensation for housing costs. All countries offer higher benefits to families with children. Notably, the United Kingdom uniquely integrates disability benefits and tax credits into its social assistance, setting it apart from the other countries in this study.

In addition to social assistance, nearly all the countries in the study provide supplementary housing or child benefits. In all countries except the United Kingdom, a separate means-tested housing benefit is available. In Germany, recipients of social assistance are excluded from receiving housing benefit, while Denmark offers a housing benefit only for recipients of social assistance. In other countries, both recipients and non-recipients of social assistance can apply

for housing benefit. As mentioned, there is no distinct housing benefit programme in the United Kingdom. However, households that would not typically meet the eligibility criteria for social assistance in other countries can apply for the integrated social assistance programme and receive only the housing benefit. Furthermore, all the countries studied offer child benefits, but there are variations in terms of their universality. In Finland, Germany, Norway, Sweden and the United Kingdom child benefits are offered universally, while in the other countries these benefits are subject to means testing. Germany is noteworthy as it offers a child benefit that excludes recipients of social assistance.

The majority of countries examined have implemented a universal healthcare system, with the exception of Germany, Finland, the Netherlands and New Zealand. In Finland and New Zealand, low-income households dealing with healthcare expenses receive one-off payments. In Germany, low-income households are covered through the statutory health insurance system. The Netherlands stands out as the sole country providing a healthcare cash benefit. Households are obligated to use the cash benefit to obtain insurance from a private health insurer.

Every country under study reduces taxes for low-income households, employing different approaches. Australia, Canada and Sweden, for instance, impose a zero per cent income tax rate in the first tax bracket. Additionally, all countries provide tax credits or deductions to further minimise the tax burden for households with lower incomes.

Denmark places a strong emphasis on the education of young individuals and offers numerous financial activation incentives. In stark contrast, Finland barely imposes any activation requirements for social assistance recipients. In most countries, there is no requirement for reapplication, and benefits are provided as long as the need persists. However, in Finland and New Zealand reapplication is necessary. Notably, Finland requires reapplication every one to two months. In most countries, except for Canada and Germany, a single organisation handles all benefits applications. The United Kingdom distinguishes itself by granting all benefits based on a single application.

Table 2.2: Overview of benefits and their requirements for nine social security systems

	Australia	Canada	Denmark	Finland	Germany	Netherlands	New Zealand	Norway	Sweden	United Kingdom
Benefits integrated in social assistance	UI, child	housing, child	child	housing, child, health	housing, child, health	none	UI, child	housing, child	housing, child	UI, housing, child, disability, tax credit
Additional housing benefits^a	all (m)	? ^a (m)	all (m), SA (m)	all (m)	exSA (m,a)	all (m)	all (m)	SA (m), all (m)	all (m)	
Additional family benefits^a	all (m)	all (m)	all (m)	all (u)	all (u), exSA (m)	all (u), all (m)	all (m)	all (u)	all (u)	all (u ^b)
Institution involved^d	[SA, housing, family]	[SA] [housing] [family]	[SA] [housing, family]	[SA, housing, family]	[SA] [housing] [family]	[SA] [housing, family]	[SA, housing, family]	[housing] [SA, family]	[SA] [housing, family]	[SA, housing, family]
Type of healthcare system	universal healthcare	universal healthcare	universal healthcare	one off pay-ments	state health insurance	health benefit	one off payments	universal healthcare	universal healthcare	universal healthcare
Fiscal policies	zero first bracket, credit	zero first bracket, credit	credit, deduction	credit, deduction	credit, deduction	credit	credit	deduction	zero first bracket, deduction, credit	deduction
Activation policies social assistance	average	high	very high	low	average	average	average	high	average	average
Reapplication social assistance	none	none	none	SA: 1-2 months	none	none	SA: 12 months	none	none	none

Source: SEO Amsterdam Economics

Note: Additional benefits described by universality, where m = means-tested, a = assets-tested, u = universal, and by target group, where SA = accessible only for social assistance recipients, ex-SA = not accessible for social assistance recipients, all = accessible for social assistance recipients and non-social assistance recipients.

^a Different benefits in new row.

^b Housing benefits in Canada are regulated at the local level and therefore target groups might also differ per jurisdiction.

^c Child benefit in the United Kingdom is generally universal, but can be taxed away for higher income levels.

^d Separate implementing organisation is indicated by brackets.

3.2.2. Australia

Australia's social security system is characterised by the absence of unemployment insurance. Instead, all unemployed directly apply for social assistance. Furthermore, housing benefits are never paid separately, but always as a component of other benefits, such as social assistance. Finally, Australia also offers income support through the tax system, by levying zero per cent income tax in the lowest tax bracket.

3.2.2.1. Social assistance

Description of the benefits (including target group)

Australia has two types of social assistance benefits: the *JobSeeker Payment* and the *Youth Allowance*. There is no separation between social assistance benefits and unemployment benefits; in case of unemployment, the person applies directly for social assistance. The benefits are means-tested and do not depend on prior work history or social security contributions. The Youth Allowance is generally paid to unemployed people aged 16 to 21 years and the JobSeeker Payment is paid to unemployed people aged 22 to pension age. Rates of payment are dependent on age, partner status, presence of dependent children and living situation. Furthermore, eligibility is subject to personal and partner income testing and asset testing.

Organisations involved

Service Australia, formerly the Department of Human Services, is an implementing organisation of the Australian Government responsible for a range of welfare benefits. Employees of Service Australia determine a person's eligibility for JobSeeker Payment and Youth Allowance. The payments are administered through the Centrelink programme, which is part of Service Australia. Applications go through myGov accounts (such as DigiD) linked to Centrelink. Furthermore, to be eligible for social assistance, involvement with a Workforce Australia Employment Services provider is mandatory. The Employment Services provider will develop an individual plan with activity requirements.

Description of the application process

Application for either JobSeeker Payment or Youth Allowance can be done in three ways; online (via myGov), by phone (Centrelink Employment Services line) or by visiting a service centre. In the case of an online application, the myGov account should be linked to Centrelink. With the application, supporting documentation about the tax file number, financials, living arrangements, employment status, and study and medical documents need to be provided.

A one-week waiting period for JobSeeker Payment and Youth Allowance generally applies after submission of an application. During this waiting period, an applicant is not eligible for benefits. The waiting period is less than a week if reclaiming within 13 weeks, or in the case of loss of partner or severe financial hardship. The waiting period may be extended if someone has savings, has received lump sum payments when finishing work, has recently completed seasonal work or is new to Australia. The aim is to assess a claim within 21 days and in most cases the first payment is made around two weeks after the claim is approved.

3.2.2.2. Housing benefits

Description of the benefits (including target group)

Housing assistance is available via the *Commonwealth Rent Assistance*. Housing benefit is a non-taxable income supplement paid as a component of another benefit, such as social assistance¹. Consequently, there are no separate eligibility criteria for housing benefits; these criteria are integrated within other benefits. The amount of benefit paid is calculated as 75 cents for each dollar of rent paid that exceeds the specified minimum rent threshold, up to the maximum rate allowable. The maximum and minimum rent thresholds vary depending on the family situation.

Organisations involved

Commonwealth Rent Assistance is part of other benefits and therefore eligibility is also determined by Service Australia. Furthermore, the payments are administered through Centrelink. Changes in a person's housing situation must be reported in their myGov account, which is linked to Centrelink. They can also be contacted by phone or by visiting a service centre.

Description of the application process

Commonwealth Rent Assistance does not require a separate application. Instead, an automatic check is performed each time a benefit is claimed. As part of the benefit claim process, a formal tenancy agreement or rent certificate is requested. If housing arrangements change after a primary benefit has already been claimed, individuals can update their address and accommodation details online. These updates will be reviewed, and eligibility will be determined based on the revised information.

¹ Other benefits included with Commonwealth Rent Assistance are Age Pension, Carer Payment, Disability Support Pension, ABSTUDY Living Allowance, Austudy, Special Benefit, Family Tax Benefit (Part A), Parenting Payment or Farm Household Allowance.

3.2.2.3. Family benefits

Description of the benefits (including target group)

There are two child-specific benefits in Australia; the *Family Tax Benefit* (consisting of part A and part B) and the *Parenting Payment*. The Family Tax Benefit is the main benefit that helps eligible families cover the costs of raising children. Part A is paid per child and the amount paid is based on the family's circumstances and income. It can include additional supplements for newborn children and families with multiple births. Part B is paid per household and gives extra help to single parents and couples if the household has one main income under a certain threshold. For the household to be eligible for part A, the children must either be under 16 years old, or 16–19 years and in full-time education and not receiving benefits on their own. For part B, children must be under 13 years old if they live with the family. If the children live with a single parent or grandparents, children must be under 16 years old or 16–18 years and in full-time education. Family Tax Benefit is partly paid either fortnightly based on an estimate of taxable income, or as a lump sum after the end of the financial year.

Additionally, a Parenting Payment is available to the principal carer of a dependent child aged under six years for partnered recipients, or aged under eight years for single recipients. Only one parent or guardian can receive the payment and this benefit cannot be combined with social assistance.

Moreover, there is a *Child Care Subsidy* to assist families with covering the cost of childcare, thus supporting their workforce participation. The Child Care Subsidy is generally paid directly to childcare providers, who then extend it to individuals in the form of reduced fees. The subsidy amount is determined as a percentage of the actual hourly childcare expenses, up to a specified hourly rate limit. Income thresholds are used to determine the percentage of Child Care Subsidy eligibility, which decreases for higher household incomes.

Organisations involved

Service Australia is the organisation that handles the applications. The payments are again administered through Centrelink. After the fiscal year, Service Australia compares the estimated yearly income with the actual income and checks if the right amount has been paid. To be able to do so, households need to lodge their tax return with the Australian Taxation Office. Additionally, when it comes to the Child Care Subsidy the childcare service also plays a role by signing an agreement.

Description of the application process

The application for Family Tax Benefit can be made online, over the phone or by post. For an online application, the myGov account should be linked to Centrelink. To complete the claim, the applicant should provide family income details, residence details, tax file numbers and bank account details. Additionally, the child must be registered at birth or at adoption in the parents' myGov accounts. If a household wants to receive full Family Tax Benefit fortnightly, it needs to provide an estimate of the family income. To prevent overpaying, this estimate should be accurate and up to date. Alternatively, households have the option to receive part of the payment fortnightly and the remainder at the end of the fiscal year to prevent overpaying. This is only possible for Part A and not for Part B. It is also an option to wait until the end of the fiscal year and receive the Family Tax Benefit as a lump sum based on the exact family income.

Parenting Payment claims can either be made online or over the phone, and follow a similar process as Family Tax Benefit. However, payments are always made fortnightly. Therefore, income needs to be reported every two weeks, even if it is zero.

Child Care Subsidy can be claimed online via myGov or by phone. Before the subsidy can be claimed, a confirmation of the child's childcare enrolment is needed. This must be done via an agreement (*Complying Written Arrangement*) between the household and the childcare service, stating details about case sessions and fees. It is worth noting that a Child Care Subsidy claim can only be applied for retroactively within 28 days.

3.2.2.4. Healthcare

Description of the benefits (including target group)

The healthcare system in Australia is comprehensive, consisting of public and private components. The central public scheme, known as Medicare, is Australia's universal health insurance scheme. It guarantees all Australians, regardless of their income, access to a wide range of hospital and health services for no cost or at a low cost².

² In general, Medicare covers services delivered in public and private hospitals, medical services, tests, imaging and scans. It does not cover, among others, ambulance services, most dental services, glasses/contact lenses, hearing devices, elective and cosmetic surgery. A full list of what is covered is given in the Pharmaceutical Benefits Scheme and the Medicare Benefits Schedule.

The *Extended Medicare Safety Net* provides coverage for 80% of out-of-pocket expenses above a certain threshold, which is set at a lower level for, among others, individuals receiving social assistance. To sustain this system, every citizen pays a Medicare levy of two per cent on their taxable income. However, several exemptions and reductions apply to the Medicare levy, for instance for individuals with lower incomes.

Given that the public healthcare scheme does not cover everything and to reduce pressure on the public healthcare system, the government encourages individuals to take out private insurance. Households with an income exceeding a specific threshold are required to obtain private health insurance. If these households do not take out private health insurance, they must pay the Medicare levy surcharge. This is a surcharge of 1 to 1.5 per cent on their taxable income, on top of the usual Medicare levy. Another incentive to take out private health insurance early in life is that private insurance is progressively more expensive as people become older. If a person has not taken out private hospital insurance by age 31 and opts to do so after this time, their private health insurance premiums increase by two per cent per year that the person was uninsured. The maximum additional private health insurance premium is 70 per cent and continues for ten years. To support the adoption of private health insurance, the government subsidises private health insurance premiums by up to 30 per cent, with the subsidy rate varying based on both income and age.

Organisations involved

As Australia's healthcare system is complex, many organisations and institutions are involved in the process.

The funding is sourced from various channels, including all levels of government, individuals³, private health insurers and non-government organisations. Additionally, the Australian Taxation Office collects the levies. Furthermore, Medicare handles the registration and payment of healthcare consumed by individuals. The state, territory and local governments deliver and manage public health services and regulate private hospitals. The Australian Health Practitioner Regulation Agency regulates registered health professionals.

Description of the application process

To enrol in Medicare for the first time, the applicant must complete an enrolment form and provide the necessary supporting documents, including a passport and information about their current living situation. The completed form should be submitted either by mail or email. Once the enrolment is approved, an applicant will receive a Medicare card, which can also be linked to their myGov account. This card should be presented whenever healthcare services are accessed. Furthermore, bank account details should be registered to the Medicare card to enable reimbursement of medical expenses.

Individuals who seek Medicare benefits in addition to their private health insurance benefits can typically initiate a claim process through either Medicare or their private insurance provider. Medicare or the private insurer will then pass on the relevant share to the other party. If the private insurer is not linked to Medicare, two separate claims must be initiated, one with Medicare and one with the insurer.

3.2.2.5. Fiscal policies

Description of the policies

In Australia, the income tax rate in the first bracket is zero and there are several tax credits. In general, income tax is calculated based on taxable income, encompassing earnings such as salaries, wages, investments and government payments. Furthermore, the *Beneficiary Tax Offset* is a generally accessible tax credit for individuals receiving taxable income support payments categorised as social security benefits, such as JobSeeker Payment and the Youth Allowance. The credit is based on the benefit amount received and is not applicable to those with benefits below a certain threshold.

A tax credit (*Low Income Tax Offset*) is available to taxpayers whose taxable income does not exceed the low-income threshold. Additionally, a tax credit (*Low and Middle Income Tax Offset*) is available to taxpayers whose income is below the middle-income threshold. Entitlement to the Low and Middle Income Tax Offset is in addition to the existing Low Income Tax Offset.

Organisations involved and description of the application process

The Australian Taxation Office will calculate the income tax payable and the offsets when it processes taxes. Individuals do not need to do anything to claim any tax offsets.

³ Out-of-pocket expenses for healthcare not covered by either Medicare or private health insurance.

3.2.3. Canada

Canada's minimum income benefits are characterised by strong local variation in the availability of benefits, between jurisdictions and varying housing benefits for non-social-assistance recipients. Family benefits are organised at the national level and underwent a major reform in 2016, when multiple family benefits were combined into one.

3.2.3.1. Social assistance

Description of the benefits (including target group)

In Canada, social assistance⁴ is a non-contributory and means-tested benefit administered by the 13 jurisdictions, which establish their own criteria and payment rates. Each jurisdiction determines the asset test, income test and definition of need within its respective social assistance legislation. For individuals who are able work, there is a strong emphasis on actively pursuing, accepting and maintaining suitable jobs or retraining as an initial and continuing requirement of eligibility for social assistance. Consequently, many jurisdictions provide a combination of financial aid and employment services along with training opportunities. To ensure that individuals who transition from social assistance to employment are economically better off when they work, several jurisdictions have introduced working income supplements. Social assistance is paid as long as there is a need.

Organisations involved

Social assistance in Canada involves two primary institutions: the federal government and the specific jurisdiction. The Canada Assistance Plan is a federal funding programme through which the federal government provides partial financial support to eligible social programmes. In the context of social assistance, the federal government contributes 50 per cent of the costs.

Description of the application process

Although the basic structure of social assistance is rather similar across Canada, each programme within every jurisdiction has distinct administrative regulations and eligibility requirements. Therefore, the application process also differs per jurisdiction, and applications always go through the respective jurisdiction.

3.2.3.2. Housing benefits

Description of the benefits (including target group)

Canada lacks a general housing benefit. Instead, in most jurisdictions social assistance includes a *Shelter Allowance*. In general, the total payment in social assistance consists of a basic allowance and a Shelter Allowance, designed to provide support for housing expenses. The Shelter Allowance is determined by provincial governments to reflect actual housing costs in their respective regions. Furthermore, provinces and territories offer additional housing benefit schemes to low-income households that are not eligible for social assistance.

Organisations involved

The organisations involved vary depending on the jurisdiction. When it comes to the Shelter Allowance, the federal government again partly finances the programme. As for the housing benefit, each jurisdiction has its own programme with its own associated implementing organisation. In British Columbia, for instance, British Columbia Housing is the corporation responsible for the development, management and administration of subsidised housing. It collaborates with non-profit organisations to distribute the housing benefit.

Description of the application process

No separate application is required for the Shelter Allowance, as it is included in the overall social assistance application. However, for additional housing benefits the application procedures can vary substantially. For instance, in British Columbia there is no direct application process. Instead, British Columbia Housing selects eligible candidates from its housing registry. This is a registry for subsidised housing for which households have to apply. On the other hand, in Saskatchewan, individuals must apply for housing benefits directly by completing an application form and submitting the required documents.

⁴ In each jurisdiction, social assistance can have its own specific name. Therefore, it is simply referred to as social assistance in this chapter.

3.2.3.3. Family benefits

Description of the benefits (including target group)

In 2016, Canada reformed several family benefits to one child benefit (*Canada Child Benefit*). The Canada Child Benefit is a means-tested federal benefit for families with children under the age of 18 years. The benefit amount reduces with the age of the children, the household income and the number of children (only if the household income is above a certain threshold). Benefits are paid monthly over a yearly period from July to June, based on the adjusted net household income from the previous fiscal year. Additionally, it is worth noting that provinces and territories also offer various benefits and services for families with children, although these are not elaborated here.

Childcare arrangements in Canada are primarily organised at the provincial level, with the federal government offering a tax reduction for households using childcare. This is known as the *Child Care Expense Deduction* and can be used to claim deductions for childcare costs for children under the age of 16 years. There are specified maximum amounts that can be claimed for childcare expenses, with higher maximum amounts for younger children. Furthermore, a claim for childcare expenses in a given year cannot exceed two-thirds of the individual's income for that year. In general, the parent with the lowest income must claim the tax deduction. Childcare expenses vary within and across provinces, and depend on the age of the child, the type of care arrangement and the hours of childcare provided. Additionally, discounts or free childcare provisions are subject to regulation by the province.

Organisations involved

The Canada Child Benefit and Child Care Expense Deduction are administered by the Canada Revenue Agency. It administers tax laws for the Government of Canada and for most provinces and territories.

Description of the application process

People can apply for the Canada Child Benefit in three ways; through the birth register, through My Account or by post. First, parents have the option to apply for family benefits when registering the birth of their child with their respective province or territory. Second, My Account is a Canadian online portal that allows individuals to access their personal income tax and benefit information, and also offers them the opportunity to apply for family benefits. Third, applicants can complete a form, attach the necessary supporting documents and send it to a tax centre. When applying via the birth register or My Account the first payment should be received within eight weeks, whereas it takes up to eleven weeks for application by post. The Canada Child Benefit application does not only determine eligibility for the Canada Child Benefit itself, but is also used to assess eligibility for various related provincial and territorial child benefit and credit programmes.

To receive the Child Care Expense Deduction, an application form needs to be completed each year. The form should state the amount that can be claimed, which is shown on the tax return form. Furthermore, proof of payment to support any expenses is required. It is not possible to carry forward unclaimed expenses to another year.

3.2.3.4. Healthcare

Description of the benefits (including target group)

Canada has a decentralised and universally accessible health system. Healthcare is primarily managed by the 13 jurisdictions, each with its own insurance plan. Nevertheless, all citizens receive reasonable access to medically necessary hospital care and physician services without incurring out-of-pocket expenses. To address services not covered, jurisdictions extend basic coverage to specific groups, including individuals receiving social assistance. Moreover, they offer assistance to individuals facing substantial out-of-pocket expenses. When citizens spend more than 3 per cent of their net annual income on (eligible) medical expenses, they can receive a 15 per cent tax credit for any remaining expenses. Additionally, approximately two-thirds of Canadians have private health insurance.

Organisations involved

The organisation of Canada's healthcare system is determined by the Canadian Constitution, which outlines the division of roles and responsibilities between the federal government and the provincial and territorial governments. The primary role of delivering healthcare and other social services falls to the provincial and territorial governments. The federal government is responsible for establishing and enforcing national standards for the healthcare system, providing financial support for healthcare services, and supporting the additional provision of healthcare services to specific target groups. Healthcare is financed by general revenue derived from federal, provincial and territorial sources of taxation.

Description of the application process

To access healthcare, individuals need to apply for a health card from their jurisdiction. Each jurisdiction has its own application process.

3.2.3.5. Fiscal policies

Description of the benefits (including target group)

The income tax system in Canada includes various tax credits aimed at reducing taxes payable for low-income households. In general, the federal income tax system is progressive, with a 15 per cent income tax rate that applies from zero taxable income up to the first threshold. Canada has a personal tax credit called the *Basic Personal Amount*. In addition, there is the *Credit for Spouse or Eligible Dependant*, which taxpayers receive if they support a spouse or other adult in their household. Both the Basic Personal Amount and the Credit for Spouse or Eligible Dependant decrease as income rises, but are never reduced to zero. Additionally, there is the *Goods and Services Tax Credit*, which is a tax credit for each adult (19 years of age or older) and each child in the household. This credit is specifically targeted at households with low to moderate incomes. Furthermore, there are the *Canada Workers Benefit* and the *Canada Employment Tax Credit*, which are credits on earned income and work expenses (such as uniforms or home computers), respectively. The Canada Workers Benefit only applies to households with a low work income. Moreover, all jurisdictions also set their own tax on personal income – they can set their own tax brackets, rates and credits.

Organisations involved and description of the application process

All tax credits can be claimed when filing tax returns. This can be done electronically or on paper. The Canada Revenue Agency administers taxes for the federal government.

3.2.4. Denmark

Denmark's social security system is characterised by a highly differentiated social assistance scheme with a strong focus on schooling for young people, and many financial activation incentives. Furthermore, Denmark provides additional housing support to social assistance recipients with high rental costs. Denmark does not provide health-related income transfers; instead, it has an extensive public healthcare system that offers most examinations and treatments for free to all people living in Denmark.

3.2.4.1. Social assistance

Description of the benefits (including target group)

Social assistance in Denmark is called *Kontanthjælp*, or 'cash assistance'. This assistance is granted to individuals in the working-age population who do not have enough income to make ends meet. Social assistance is means- and assets-tested, and is taxed. The maximum benefit amount depends on the applicant's age, whether they live independently, if they are the breadwinner, and their education level.

Danish social assistance has a strong focus on activation. The activation efforts are targeted at recipients' individual needs. For example, for individuals without a vocational qualification who are under the age of 30, the first goal is to obtain a vocational qualification before returning to the labour market. Individuals over 30 years old go through an assessment of their work capacity when applying for social assistance. Individuals who are deemed 'ready for work' are expected to work at least 225 hours during the first year of receiving social assistance. If they do not meet this requirement, the social assistance benefits that they receive in the second year will be lower.

Organisations involved

Municipalities are responsible for the application processing and payout of social assistance benefits. Job centres are responsible for the work capability assessment performed as part of the application process, and they monitor and supervise the job search activities of social assistance recipients.

Description of the application process

Individuals can apply for social assistance through the government website *Borger.dk* or at their municipality. Within a week after submitting the application, the applicant is invited for a first interview at a job centre. Based on this interview, the job centre determines whether the applicant is ready for work or ready for activity.

3.2.4.2. Housing benefits

Description of the benefits (including target group)

Denmark has three means- and assets-tested housing benefits: a standard housing benefit for people of working age (*Boligsikring*), an additional housing benefit for recipients of social assistance with high rental costs (*Særlig støtte*), and a housing benefit for pensioners (*Boligyldelse*). The amount of the standard housing benefit depends on the amount of rent paid, the floor area of the house and the composition of the household. The amount of extra housing benefit for social assistance recipients with high rental costs and the housing benefit for pensioners both depend only on the rent and number of children in the household.

Organisations involved

Udbetaling Danmark is responsible for processing applications and paying out housing benefits.

Description of the application process

Households can apply for any of the three housing benefits through the *Borger.dk* website, using their MitID account. As part of the application process, applicants are asked to upload a document that proves how much rent they pay, such as a rental agreement. Households can apply as soon as they have moved into a new home. Processing of applications may take up to seven weeks.

3.2.4.3. Family benefits

Description of the benefits (including target group)

Denmark provides two means-tested benefits to households with children: a general child benefit (*Børne- og ungeydelse*) and a special child benefit for parents in specific situations (*Børnetilskud*). The general child benefit is targeted at families with children under 18 years old. The benefit amount decreases with the age of the children. The special child benefit is targeted at specific groups of parents, such as single parents, parents of twins, triplets or quadruplets, or senior parents. The benefit amount differs by target group.

Organisations involved

Udbetaling Danmark is responsible for processing applications and paying out family benefits.

Description of the application process

In principle, applying for the general child benefit is not required. Eligible parents with children who are registered in Denmark automatically receive the general child benefit. However, parents in specific situations, such as those who work in another EU country but live in Denmark, are eligible but need to apply for the benefit. They can do this through the Borger.dk website. Eligible parents from non-EU countries can apply for the general child benefit by contacting Udbetaling Danmark by phone.

Application is required only for some of the special child benefits for parents in specific situations. For example, the special child benefit for single parents requires single parents to state that they are single parents once a year. They can do this through the Borger.dk website, using their MitID account. For the special child benefit for parents of twins, triplets or quadruplets and the special child benefit for pensioners, no applications are required.

3.2.4.4. Healthcare**Description of the benefits (including target group)**

Denmark does not provide health-related income transfers. Instead, it has an extensive public healthcare system that offers most examinations and treatments for free to all people living in Denmark.

Organisations involved

To access the free healthcare system, individuals require a yellow health insurance card. The municipalities are tasked with handling the applications for these cards.

Description of the application process

In most municipalities, individuals can apply for a yellow health insurance card through the Borger.dk website, using their MitID account. It then takes up to two weeks for them to receive the insurance card. Some municipalities do not offer such self-service. In that case, citizens need to contact the municipality for information on how to apply.

3.2.4.5. Fiscal policies**Description of the benefits (including target group)**

Denmark has one non-refundable personal tax credit (*Personfradrag*) and one employment tax deduction (*Beskæftigelsesfradrag*). The tax credit is aimed at the lowest income groups and ensures that the first DKK 48,000 per year (about EUR 6,400, or 25 per cent of the average wage) remains untaxed at both the local and national level. The tax credit is lower for individuals younger than 18 years old and is higher for single parents. The employment tax deduction provides a tax deduction to low and middle incomes. It exempts 10.65 per cent of a person's labour income from being taxed, up to a maximum of DKK 45,600 per year.

Organisations involved

Skattestyrelsen, the Danish Tax Agency, is responsible for collecting taxes and taking into account the tax credits and deductions.

Description of the application process

There is no application required for the tax credit and tax deduction.

3.2.5. Finland

Social assistance in Finland stands out as it is only granted for one or two months at a time. After that, the application has to be renewed. Moreover, social assistance includes financial compensation for basic expenditure, such as housing and healthcare expenses; these amounts are determined at the discretion of the responsible organisation. The most important Finnish family benefit is a universal (income-independent) benefit.

3.2.5.1. Social assistance

Description of the benefits (including target group)

Social assistance is called *Toimeentulotuki* in Finland. This scheme guarantees a minimum income for every inhabitant of the country; it is means-tested and not taxable. The benefit amount consists of two parts: 1. A basic amount, which depends on household composition; 2. Compensation for basic expenditure, such as housing expenses and healthcare expenses. The latter amount is determined at the discretion of the responsible organisation.

Organisations involved

Kela, the Social Insurance Institute of Finland, is responsible for processing applications and paying out social assistance.

Description of the application process

Individuals can apply for social assistance online, through the Kela e-service. The application process requires applicants to upload documentation regarding their expenses, bank statements and income statements, although Kela also obtains salary information from the national income registry. Additionally, applicants may need to provide other documents, such as a copy of their rental or right-of-occupancy agreement, or documents showing their monthly rent. They can either upload these documents to the Kela e-service platform or send them by post. Alternatively, the entire application process can be done offline. In that case, people must complete a physical form and send it to Kela by post.

Social assistance is usually granted for one or two months at a time. After that, the application has to be renewed by following the same steps as for the first application.

3.2.5.2. Housing benefits

Description of the benefits (including target group)

There are two means-tested and non-taxable housing benefits in Finland: the general housing allowance (*Yleinen asumistuki*) and the housing allowance for pensioners (*Eläkkeensaajan asumistuki*). The general housing allowance is meant for families, couples and single people of limited means. The benefit amount depends on the actual rent, location, and household income and composition. The housing allowance for pensioners targets pensioners with limited means. The benefit amount also depends on the actual rent, location, and household income and composition.

Organisations involved

Kela, the Social Insurance Institute of Finland, is responsible for processing applications and paying out housing benefits.

Description of the application process

To apply for housing benefits, applicants should generally follow the application process on the OmaKela e-service. As part of the process, applicants have to upload copies of their rental agreement or other documents showing how much rent they pay. They also have to state the income of all household members, although Kela also obtains salary information from the national income registry. Applicants may also be asked to provide additional information, such as their employment contract, details of other benefits they receive or details of their housing loans. Alternatively, it is possible to apply for the general housing benefit via a physical application form, which can be sent in via the post.

3.2.5.3. Family benefits

Description of the benefits (including target group)

Finland has one large child allowance and multiple smaller family benefits. The most important child allowance is the basic child benefit (*Lapsilisä*). This is a universal, income-independent benefit. This basic child allowance is available to all families with children under the age of 17. The benefit amount depends on the number of children in the household (the amount per child increases with the number of children in the household). The amounts per child are higher for single parents. In addition, there are multiple smaller family benefits, such as a maternity grant (*Äitiysavustus*),

a maintenance allowance (*Elatustuki*) for children of single parents if the person liable to pay for maintenance neglects to do so, or a home care allowance (*Kotihoidon tuki*) for parents with young children who take care of their child at home.

The remainder of this section focuses on the basic child allowance.

Organisations involved

Kela, the Social Insurance Institute of Finland, is responsible for processing applications and paying out family benefits.

Description of the application process

Parents can apply for family benefits through the Kela e-service. Usually no supporting documents are required. Alternatively, applicants can complete a physical application form and send it to Kela via the post.

3.2.5.4. Healthcare

Description of the benefits (including target group)

Finland does not offer structural income support targeted at covering healthcare costs. It does offer one-off payments to cover the costs of prescribed medication, travel or accommodation costs related to the treatment of an illness, dental care or private medical expenses.

Organisations involved

Kela, the Social Insurance Institute of Finland, is responsible for processing applications and paying out healthcare-related reimbursements.

Description of the application process

To apply for reimbursement of prescribed medication, dental care or private medical care, applicants have to complete and post a physical application form within six months of incurring the costs. With their claim, applicants should include a statement from the pharmacy about their medicine purchases or a proof of costs made at the dentist or private medical practice. Parents who seek reimbursement of their children's medical expenses can submit their request online via the OmaKela platform.

Reimbursement of travel or accommodation costs related to the treatment of an illness can be requested online through the OmaKela platform or via a physical form, within six months of incurring the costs. Applicants should include proof of payment of the travel and accommodation costs that they want to be reimbursed.

3.2.5.5. Fiscal policies

Description of the benefits (including target group)

Finns pay income tax to both the national and local governments. Income tax owed to the national government is paid at progressive rates and income tax paid to the local government is levied at a flat rate, which differs between municipalities.

For both taxes, tax reductions are in place for lower-income households. On income taxes owed to the national government, a low earned income tax credit (*Työtulovähennys*) is granted. The amount of the tax credit is income-dependent, but highest for below-average income earners. If the tax credit is higher than the income tax owed, the excess tax credit can be deducted from municipal taxes and health insurance contributions. On local income taxes, a low earned income tax deduction (*Ansiotulovähennys*) is granted. The amount of the tax deduction is income-dependent, but highest for low-income households.

Organisations involved

Vero Skatt, the Finnish Tax Administration is responsible for levying taxes and taking into account the tax credit and deduction.

Description of the application process

There is no need to apply for the low earned income tax credit and tax deduction. The Finnish Tax Administration automatically deducts the relevant amounts.

3.2.6. Germany

Germany's minimum income benefits are characterised by the automatic inclusion of housing and child supplements in social assistance. Therefore, social assistance recipients do not have to apply for housing and child benefits separately. Furthermore, eligibility requirements are less stringent during the first year of social assistance receipt. The German tax system also differentiates between household types through different tax classes. This ensures that, for example, single parents face lower tax rates.

3.2.6.1. Social assistance

Description of the benefits (including target group)

Social assistance in Germany is called *Bürgergeld*, previously known as *Arbeitslosengeld II*. This assistance is granted to individuals between the ages of 15 and pension eligibility who are unable to provide a living for themselves, and who are capable of working at least three hours per day. The eligibility for this benefit is non-contributory and determined by means testing, taking into account both income and assets. The means test is less stringent at first, but becomes stricter after the first year. Rates are dependent on partner status and the number of children in the household.

Organisations involved

Job centres are tasked with administering and carrying out social assistance, making them the sole implementing organisation that recipients of social assistance interact with. Job centres are part of the Federal Employment Agency (*Bundesagentur für Arbeit*). There are two different organisational models for job centres; joint institutions (*gemeinsamen Einrichtungen*) and approved municipal providers (*zugelassenen kommunalen Trägern*). Joint institutions are collaborations between the Federal Employment Agency and municipal providers. Through this collaboration, the job centres provide citizen-friendly services from a single source. Within joint institutions, the municipal providers are responsible for aspects such as housing and heating, while the Federal Employment Agency is responsible for, among others, labour market integration and securing a living (paying *Bürgergeld*). Approved municipal providers have the sole responsibility to provide social assistance without involvement from the Federal Employment Agency.

Description of the application process

Social assistance applications are processed by a job centre and can be submitted either online or by completing paper forms. To apply online, a user account at the Federal Employment Agency (*Bundesagentur für Arbeit*) is needed. To complete an application, certain information about, for instance, rent, income and assets needs to be provided. The job centre will invite applicants for a consultation. In preparation for this appointment, a personal labour market profile must be completed. This profile serves to provide the job centre with a better understanding of the applicant's situation, so that during the appointment a plan can be made, which provides options for returning to employment.

3.2.6.2. Housing benefits

Description of the benefits (including target group)

Individuals receiving social assistance are entitled to payment of housing expenses (*Übernahme von Wohn- und Heizkosten*), including accommodation and heating costs. In the first year, the actual rent expenses are fully covered, without an appropriateness test. Thereafter, each municipality establishes a maximum reasonable rent threshold based on regional prices and household size. If the rent surpasses this maximum, recipients are generally expected to make efforts to either move or sublet part of their house. In cases where a change in living situation is deemed unreasonable or unsuccessful despite genuine efforts, the rent is usually covered up to the maximum reasonable amount. For heating costs, limits are based on maximum consumption values to ensure that costs are covered even with increasing energy prices.

Individuals with a low income who do not receive social assistance can apply for housing benefits (*Wohngeld*). It is important to note that housing benefits cannot be combined with social assistance. The benefit amount differs by region, household size and income. If the rent exceeds a certain threshold, the household is no longer eligible to receive housing benefit. The benefit is usually granted for twelve months, after which a household can reapply.

Organisations involved

The organisations involved in the administration and distribution of the benefit are the local housing benefit authorities, which can be the city administration or the district administration. In all independent and large district cities, the local housing benefit authority is the city administration, whereas in all other communities and cities it is the respective district administration. Financing is partly done by the federal government and partly by the state.

Description of the application process

The application process for the payment of housing expenses is part of the application for social assistance. Housing benefits must be applied for in writing and forms can be obtained from the local housing benefit authority. The application forms can be completed on site or downloaded and filled out at home. However, applicants are advised to submit their application to the authorities in person. The authorities will conduct an on-site review to verify the completeness of the application form and ensure that all necessary documents, such as a rent certificate, identification and income statements, are included. It usually takes between three and six weeks for the authorities to process the application. The housing benefit is usually granted for a period of twelve months, after which reapplication is required.

3.2.6.3. Family benefits

Description of the benefits (including target group)

Germany has a child allowance (*Kindergeld*), which is a fixed amount for each child independent of the financial situation of the household. The child allowance is generally available for children between the ages of 0 and 18, and can be extended up to the age of 25 in certain circumstances.

Additionally, there is a child benefit (*Kindenzuschlag*) for households with low income and low assets. Households receiving social assistance are ineligible for the child benefit, because they already receive additional support for their children through social assistance. Children up to 25 years old can qualify for the child benefit as long as they reside within the household.

Childcare fees, including payments for meals, are regulated per state. Most states offer partial abolishment of day-care fees, for instance for a limited number of hours per month. Parents who receive social assistance, child benefit or housing benefit generally do not pay day-care fees.

Organisations involved

In Germany, family funds (*Familienkasse*) are responsible for processing applications and paying child allowance and child benefit. They are part of the Federal Employment Agency (*Bundesagentur für Arbeit*). In case of overpayment of either the child allowance or child benefit, the corresponding amount needs to be paid back⁵. The debt collection service of the Federal Employment Agency is responsible for the collection of such repayments.

Description of the application process

To receive child allowance or child benefit, an application form must be completed. In general, the child allowance form can be filled in online; however, it needs to be printed and signed before submission. If the applicant possesses a valid ELSTER certificate (the German online tax office system), the entire application can be completed online. For child benefit, the process can be conducted directly online. Additional documents, such as proof of income, declaration of assets and housing costs, should be submitted. The income used to assess eligibility for child benefit is the average income in the previous six months. For both the child benefit and the child allowance, the aim is to process the application within six weeks. It is important to note that child benefit is granted for six months only. After this period, reapplication is required. In contrast, child allowance is automatically continued.

3.2.6.4. Healthcare

Description of the benefits (including target group)

In Germany, statutory health insurance (*gesetzliche Krankenversicherung*) covers most healthcare expenses for nearly all residents. The statutory health insurance system comprises competing, non-profit, non-governmental health insurance plans referred to as 'sickness funds'. Every individual can select their preferred sickness fund. The system is financed through mandatory contributions that employed residents pay automatically.

Contributions are collected centrally in a health fund (*Gesundheitsfonds*) and then redistributed to individual sickness funds. If a person's income is above a certain threshold they have the option to choose private health insurance instead of state insurance.

⁵ Repayment of child allowance can only happen when families move out of Germany, the child is no longer living in the household or is no longer in school, while repayment of child benefit is more likely as it is income dependent.

Organisations involved

In Germany, both the government and the sickness funds play an important role in the healthcare system. The government holds considerable regulatory power with regard to healthcare, but is not directly involved in care delivery. The Federal Joint Committee, under the supervision of the Federal Ministry of Health, has been entrusted with the task of determining the range of services covered by sickness funds. Sickness funds are responsible for processing applications and facilitating payments for healthcare services.

Description of the application process

Obtaining statutory health insurance in Germany does not involve a separate application process. If individuals or households reside or work in Germany, they are required to register with the local town hall (*Einwohnermeldeamt*). Once they are registered, they will receive a German social insurance number, making them eligible for statutory health insurance. They can then select a sickness fund. For private health insurance, separate enrolment with a private insurance provider is needed.

3.2.6.5. Fiscal policies

Description of the policies

Income support for lower-income households in Germany consists of three parts: exclusions from taxable income, a general tax exemption and supplementary tax deductions. First, income excluded from taxable income encompasses various benefits and compensations, such as social assistance. Second, Germany has a general basic tax exemption threshold (*Grundfreibetrag*), below which no income tax is paid. Third, single parents receive an additional deduction. In addition, parents can partially deduct childcare expenses from their taxable income.

Organisations involved and description of the application process

In Germany there are six tax classes (*Steuerklassen*), based on a person's marital and employment status. Individuals are automatically enrolled in a tax class, but can apply to be enrolled in another tax class if it suits their situation better. Regardless of the tax class(es) chosen by the individual, the actual net income of the household remains the same. The only difference is the net monthly tax burden paid in advance. For single parents in particular, switching to another tax class might be useful; in that case the single parent exemption applies automatically, which reduces their monthly tax burden. The tax office (*Finanzamt*) calculates and collects taxes.

3.2.7. Netherlands

In the Netherlands, social assistance can be complemented with other social benefits, such as housing and family benefits, to ensure a comprehensive support system for those in need. The Dutch social assistance scheme is characterised by offering an additional healthcare benefit. This healthcare benefit is available because citizens are obligated to take out private health insurance. Furthermore, each municipality is responsible for processing applications, determining eligibility and providing social assistance.

3.2.7.1. Social assistance

Description of the benefits (including target group)

Social assistance is called *Bijstand* in the Netherlands. The Dutch social assistance scheme is designed to provide financial support to people from the age of 18 years until pension age, who are unable to support themselves independently. Social assistance in the Netherlands is a non-contributory benefit that is means- and assets-tested and taxable. Social assistance payments are meant to cover all typical living expenses such as food, heating, furnishings and entertainment. The minimum basic benefit payment rates, set by the Dutch national government, are dependent on factors such as age, family situation and the number of people living in the same residence. Age is a relevant factor only in relation to rules concerning the family situation and the number of people cohabiting. Generally, the benefit amount based on a family situation only differs between singles and couples, regardless of whether or not these singles or couples have children. Only when recipients are under the age of 21 does the benefit amount vary based on whether there are children in the household or not. If recipients are under 27 years old, the benefit payment is not dependent on the number of people living in the same residence. Social assistance is paid as long as there is a need.

In 2004 the Work and Social Assistance Act (*Wet Werk en Bijstand – WWB*) was introduced, which decentralised social assistance. The municipalities receive two budgets from the national authorities to execute social assistance: one budget for benefit payments and one for active labour market measures. The emphasis is shifting increasingly towards getting people on benefits back to work.

Organisations involved

Social security in the Netherlands is governed by the Ministry of Social Affairs and Employment. The national authorities are responsible for the general benefit levels. The municipalities are responsible for assessing eligibility for social assistance, implementation of the benefits and supporting people in trying to regain financial independence.

Description of the application process

Individuals can apply for social assistance either in person at the municipality or online at werk.nl with their *DigiD*. Before applying for social assistance, it is necessary to register as job seeker at the Employee Insurance Agency (*Uitvoeringsinstituut Werknemersverzekeringen – UWV*). The application process for social assistance requires the submission of documents regarding the applicant and other household members such as their partner, children or parents. These documents include income statements, housing expenses and bank statements. The municipality is obligated to make a decision within eight weeks after receiving the application. If the application offers insufficient information, the municipality can extend the deadline. If the municipality has not made a decision after four weeks, applicants can receive advance payment of 90 per cent of the social assistance.

3.2.7.2. Housing benefits

Description of the benefits (including target group)

Housing benefit (*Huurtoeslag*) in the Netherlands helps to meet rental costs and is a non-contributory benefit that is means-tested and non-taxable. The housing benefit is dependent on calculated family income and subject to rent levels restricted by a minimum and maximum. Social assistance claimants should all be eligible for housing benefits if their rent levels are between the restricted minimum and maximum, since social assistance income levels are generally low. Applications for housing benefits and social assistance must be made independently. Additionally, housing benefits are paid and calculated independently of the social assistance benefits.

Organisations involved

The tax authority (*Belastingdienst*) is responsible for processing applications and paying out housing benefits.

Description of the application process

Applying for housing benefit can be done on an online platform of the *Belastingdienst, Mijn toeslagen*. Documents are needed for the application, including rental agreements and income statements. Within five weeks the applicant

is expected to receive information about the benefit amount. Because the housing benefit is determined using a calculated income, at the end of the year the estimated income is compared to the actual income. If there is a difference between these two figures the housing benefit can be adjusted, meaning that recipients either have to make a repayment or receive an additional amount.

3.2.7.3. Family benefits

Description of the benefits (including target group)

There are three family benefits in the Netherlands: a universal child benefit, an additional means-tested child benefit and a means-tested childcare benefit. The general child allowance (*Algemene Kinderbijslag*) is non-contributory, universal and non-taxable. It provides financial assistance for the care of children under the age of 18 years to those who reside in and/or work in the Netherlands. The child's age determines the benefit amount that people receive.

The additional means-tested child benefit (*Kindgebonden budget*) is for people whose income and capital do not exceed a certain ceiling. It is a non-contributory, means- and asset-tested, non-taxable benefit. The number of children and their ages, as well as the income of the parent(s), determine the benefit amount. An extra allowance is available for single parents. The means-tested child benefit is paid in advance on a monthly basis.

Another benefit is the means-tested childcare benefit (*Kinderopvangtoeslag*). Parents pay for childcare costs themselves and receive state subsidies. Childcare allowance is calculated as a percentage of the total cost of childcare and varies based on the income of the parent(s).

Organisations involved

The tax authority (*Belastingdienst*) is responsible for processing applications and paying out family benefits.

Description of the application process

General child allowance can be requested at the SVB (*Sociale Verzekeringsbank*). Parents receive a letter when their first child is born with information on how to apply for general child benefit. If a second child is born, no action is required.

Application for childcare benefits can be made on the online platform *Mijn toeslagen*. Applicants need to supply information about the childcare, the childcare hours per month and the costs of childcare (hourly rate). Additional documents about income are also required.

The means-tested child benefit (*Kindgebonden budget*) is received automatically if the beneficiary also receives other benefits such as childcare benefits, housing benefits or healthcare benefits. Applicants who do not receive other benefits can apply for the means-tested child benefit on *Mijn toeslagen*. Documents showing income are necessary for the application.

3.2.7.4. Healthcare

Description of the benefits (including target group)

In the Netherlands, people are required to take out basic health insurance with a privately-run health insurance company. Those who cannot afford this can receive a means-tested healthcare allowance (*zorgtoeslag*). This is a contribution from the government to keep health insurance affordable. The healthcare benefit is for individuals whose income is below a certain threshold.

Organisations involved

The tax authority (*Belastingdienst*) is responsible for processing applications and paying out healthcare benefits.

Description of the application process

People can apply for a healthcare allowance (*zorgtoeslag*) on the online platform *Mijn toeslagen*. A *DigiD* account is necessary for the application, as well as income statements. Since the healthcare allowance is determined using a calculated income, at the end of the year the estimated income is compared to the actual income. A difference can lead to adjustment of the healthcare allowance and possible repayment.

3.2.7.5. Fiscal policies

Description of the benefits (including target group)

In the Netherlands there are multiple tax credits: one general tax credit and two that are dependent on work income. Tax credits are deducted partly from income tax liabilities and partly from contributions to the general social security system. The general tax credit (*Algemene Heffingskorting*) is based on income, so the higher the income, the less tax credit is received. The amount of the first work-related tax credit (*Arbeidskorting*) depends on taxable work income and is divided into three levels. The second work-related tax credit (*Inkomensafhankelijke combinatiekorting*) is an additional credit for a taxpayer who is either single or the lowest-income parent, has children below the age of 12 years and has an income between given minimum and maximum levels. The Netherlands also has a tax allowance. Employees' social security contributions are partly deductible.

Organisations involved and description of the application process

The tax authority (*Belastingdienst*), is responsible for levying taxes and taking into account the tax credits.

Description of the application process

It is not necessary to apply for the general tax credit since social assistance recipients and workers receive it automatically. Work credit can be requested using a form. It is also necessary to apply for the income-dependent combination credit. Application for this tax credit is possible through the income tax return.

3.2.8. New Zealand

New Zealand's social security system is characterised by the absence of unemployment insurance. Instead, all unemployed people directly apply for social assistance. Moreover, social assistance is, in principle, only granted for 12 months at a time. Recipients who wish to continue receiving social assistance after that period, will have to reapply for another 12 months. Finally, New Zealand organises its child benefits through the tax system in the form of refundable tax credits, for which application is required.

3.2.8.1. Social assistance

Description of the benefits (including target group)

New Zealand has two main social assistance schemes: *Jobseeker Support* and *Sole Parent Support*. There is no additional unemployment insurance scheme and all unemployed individuals over the age of 18 years (or over the age of 20 if they have children) can receive social assistance when they become unemployed. *Jobseeker Support* and *Sole Parent Support* are means-tested, taxable and non-contributory benefits. Eligibility requires availability and willingness to undertake full-time paid employment. Furthermore, recipients must reside in New Zealand. The benefit amounts are determined by household composition and are higher for older individuals, parents and couples.

There is an additional support scheme called *Youth Payment* for individuals aged 16 or 17 years who do not live with their parents and are not financially supported by anyone. The recipient must meet additional criteria, including not having dependent children, residing in New Zealand, engaging in education or training, collaborating with a Youth Service provider to manage their budget and participating in a budgeting course.

Organisations involved

Work and Income, an organisation that is part of the Ministry of Social Development, is responsible for the application and payout process.

Description of the application process

Individuals can apply for social assistance through an online portal called MyMSD. They may have to upload a medical certificate if they cannot work due to medical reasons. The applicant will then usually be invited for a face-to-face appointment at a Work and Income Service Centre. Afterwards, Work and Income determines eligibility, and informs the applicant by phone or email. If social assistance is granted, payment will start soon afterwards, depending on a possible stand-down period.

Social assistance is, in principle, granted for 12 months. Recipients who wish to continue receiving social assistance will have to reapply for another 12 months. There is no limit to the number of times that someone can renew their social assistance benefit.

3.2.8.2. Housing benefits

Description of the benefits (including target group)

To cover the costs of housing, individuals can receive an *Accommodation Supplement*. This is a means- and assets-tested benefit that is non-taxable. If the applicant already receives social assistance, the means test is skipped. The benefit is targeted at individuals over 18 years, and financially independent 16- and 17-year-olds. The benefit amount depends on the actual accommodation costs up to a certain maximum, which varies per region.

Additionally, a *Winter Energy Payment* covers the additional costs of heating in the colder winter months. The Winter Energy Payment is available for recipients of most basic benefits, including social assistance.

Organisations involved

Work and Income, an organisation that is part of the Ministry of Social Development, is responsible for the application and payout process.

Description of the application process

The application process for the *Accommodation Supplement* differs between individuals who already receive other benefits from Work and Income, and individuals who do not. Individuals who do not receive any other benefits from Work and Income yet, can apply for housing benefits through the online portal MyMSD or complete an Extra Help physical application form. When applying online, Work and Income automatically checks if the applicant is also eligible for other benefits. As part of the application, proof of accommodation costs has to be provided.

Individuals who are already receiving another benefit from Work and Income can only apply via the physical Accommodation Supplement form. Applicants may be invited for a phone or face-to-face appointment if more information is required after the initial application.

There is no application required for the Winter Energy Payment.

3.2.8.3. Family benefits

Description of the benefits (including target group)

There is only one child-specific benefit⁶ in New Zealand: the *Childcare Subsidy*, which covers part of the costs of childcare. This is non-taxable income support aimed at low- and middle-income families with children up to 6 years old. The benefit amount depends on household income, hours of childcare used and the number of dependent children in the family.

Organisations involved

Work and Income, an organisation that is part of the Ministry of Social Development, is responsible for the application and payout process.

Description of the application process

The application process differs between individuals who already receive other benefits from Work and Income, and individuals who do not. Individuals who already receive another payment from Work and Income can apply online through the SmartStart website, which requires an account with RealMe. Individuals who do not receive any payments from Work and Income have to complete the Childcare Assistance Application form, which they can submit via email or in person at a Work and Income Service Centre.

3.2.8.4. Healthcare

Description of the benefits (including target group)

New Zealand does not offer structural income support targeted at covering healthcare costs. It does offer one-off payments for essential or emergency healthcare costs if the household has no other way to pay for them (*Special Needs Grant*). It also offers compensation for one-off health-related travel and accommodation costs. Both benefits are means- and assets-tested.

Low-income households can also receive a *Community Services Card*, which ensures lower rates for healthcare and public transport.

Organisations involved

Work and Income, an organisation that is part of the Ministry of Social Development, is responsible for the application and payout process.

Description of the application process

Individuals can apply for a one-off Special Needs Grant by calling Work and Income. During this call, Work and Income will establish how they can help the applicant and what information the applicant has to provide to receive this help.

Individuals can apply for one-off compensation for *Travel and Accommodation Costs* by calling Work and Income to make a face-to-face appointment. During the face-to-face meeting, Work and Income will establish how they can help the applicant and what information the applicant has to provide to receive this help.

There is no application requirement for the Community Services Card for individuals who already receive Jobseeker Support or Sole Parent Support. In other cases, applicants have to complete a physical application form, which they then send to Work and Income. They may need to provide proof of income in addition to completing the application form.

⁶ Other child support is paid through the tax system. See Section 3.2.8.5 for more information.

3.2.8.5. Fiscal policies

Description of the policies

New Zealand has multiple refundable tax credits. Four of them are targeted at families with children and are jointly called the *Working for Families Tax Credits*. The Working for Families Tax Credits consist of the *Best Start Tax Credit*, the *Family Tax Credit*, the *In-Work Tax Credit*, and the *Minimum Family Tax Credit*. For households without children, there is the *Independent Earner Tax Credit*.

The Best Start Tax Credit, which is part of the Working for Families Tax Credits, is a refundable tax credit for families with children younger than three years old. During the first year after birth, the tax credit is universal. After the first year, it becomes means-tested.

The Family Tax Credit, which is also part of the Working for Families Tax Credits, is a refundable and means-tested tax credit for all families with dependent children. The maximum credit amount depends on the number of children, the age of the children and the household income.

The In-Work Tax Credit, the third credit of the Working for Families Tax Credits, is also a refundable and means-tested credit. It is targeted at low-income working families with dependent children. Families who are working but receive additional Jobseeker Support are not eligible for the In-Work Tax Credit.

The Minimum Family Tax Credit, which is the final credit of the Working for Families Tax Credits, is a refundable and means-tested credit for parents who meet a minimum hours of work requirement. Families that meet this requirement but already receive Jobseeker Support, are not eligible for the Minimum Family Tax Credit.

The Independent Earner Tax Credit is a means-tested tax credit for lower middle-income households without children. The tax credit only applies to households with a certain minimum income who do not receive Jobseeker Support.

Organisations involved

The Working for Families Tax Credits are mostly paid by the Inland Revenue Department (IRD). 'Work and Income', an organisation within the Ministry of Social Development, pays it to families who also receive Jobseeker Support, unless they specifically request to be paid by the IRD.

Description of the application process

For the Best Start Tax Credit, applicants have to register their baby's birth online on SmartStart. During the registration, applicants must tick a box to indicate that they want to apply for Best Start. Alternatively, the applicant can register for Best Start in myIR or by contacting the IRD. After submission of the application, IRD will determine eligibility and inform the applicant of its decision.

Applicants for other Working for Families Tax Credits register for *Working for Families* in myIR, an online platform. Alternatively, the applicant can apply for Working for Families by contacting IRD directly or by using the online registration tool on the IRD website. After submission of the application, IRD will determine eligibility and inform the applicant of its decision.

Individuals who are entitled to the Independent Earner Tax Credit will automatically receive it at the end of the year after their income tax assessment has been processed. Individuals who wish to receive the tax credit during the year will have to apply for it. This application process depends on the source of the applicant's income. Individuals with a salaried job can receive the tax credit during the year by completing the Tax Code Declaration IR330, and giving it to their employer. Individuals with sources of income that are not taxed before payment can claim the tax credit at the end of the year.

3.2.9. Norway

Norway's minimum income benefits stand out, as social assistance includes financial compensation for housing costs. Furthermore, all taxable income is taxed at the same flat rate, with the exception of labour income, which is taxed progressively. Norway also has no tax credits, and only tax deductions on local income taxes. Finally, Norway does not provide health-related income transfers. Instead, it has an extensive public healthcare system that provides most examinations and treatments for free to all people living in Norway.

3.2.9.1. Social assistance

Description of the benefits (including target group)

Norway's social assistance, known as *økonomisk stønad*, is a means-tested, non-contributory and non-taxable benefit. There is no age condition, but the benefit is seldom granted to individuals under 18 years old. Social assistance is a supplementary benefit and may be granted in addition to all forms of income support. However, the entire benefit amount is deducted at a rate of 100 per cent against all income support. The benefit amount depends on the household composition, with higher amounts for older children. Furthermore, there is a strong focus on labour market engagement. People who are unemployed are required to register as a job seeker and actively seek employment. This may involve participation in labour market training programmes, qualification initiatives or work for the municipality. For individuals under the age of 30 years who require financial assistance due to inadequate proficiency in the Norwegian language, there is a mandatory language course component.

Organisations involved

The state and municipalities cooperate in the Norwegian Labour and Welfare Administration to provide a single gateway for public labour and welfare services. Municipalities are responsible for providing social assistance, with local social workers making the application decisions. The Ministry of Labour and Social Inclusion sets uniform standards for reasonable subsistence allowance amounts, but exceptional expenses such as healthcare and day care are not covered in the uniform standards. Instead, such expenses are evaluated depending on the needs of the applicant. Additionally, registering as a job seeker is also done at the municipality's Norwegian Labour and Welfare Administration office.

Description of the application process

To request social assistance in Norway, individuals should apply at the Norwegian Labour and Welfare Administration (*Nye arbeids- og velferdsetaten* – NAV) office in their municipality. The application can be done online or on paper. To apply online applicants must log in using MinID, BankID, Buypass or Commfides. Paper applications can be sent by post or handed in at the NAV office. On the application form, applicants are required to describe the expenses that they are unable to cover on their own. Expenses that can be applied for are living expenses (social assistance – *økonomisk stønad*), health/dental care costs, a deposit for housing and electricity costs. The form additionally requires applicants to provide information pertaining to their household and income, and offer a brief overview of their personal circumstances. In addition to the application form, applicants are typically required to submit supplementary documents such as identification, tax returns, tax settlements, pay slips, bank account information and rental agreements.

3.2.9.2. Housing benefits

Description of the benefits (including target group)

There are two types of housing benefits in Norway: a discretionary housing supplement that is a component of social assistance and a housing benefit (*bostøtte*) for households with a low income and high housing costs. The discretionary housing supplement is calculated based on municipal guidelines and encompasses allowances for both housing and heating/electricity costs. For the housing benefit (*bostøtte*), applicants must reside in social housing, private rented accommodation or owner-occupied housing, and generally be over 18 years of age. The benefit amount is dependent on income and housing cost. The maximum allowable income per year depends on the region, with higher incomes allowed for larger cities. This benefit is provided for as long as the individual remains eligible, and it is not subject to taxation.

Organisations involved

The Norwegian State Housing Bank (*Husbanken*) is the main organisation implementing Norwegian social housing policies. It also oversees the management and distribution of the housing benefit, and works together with the national government and the municipalities. The government establishes the overarching goals of the national housing policy, shapes the legislative framework and provides the financial resources. The municipalities plan and enable the construction and renovation of housing.

Description of the application process

The process of applying for housing benefit (*bostøtte*) is managed by the *Husbanken* and is most efficiently done online. By opting for an online application, essential details regarding income, pensions and social security can be automatically retrieved from official registers. In the case of a paper application, applicants must provide this information themselves. Additionally, documents about mortgage/rent expense, common charges for housing and paid property tax are required. To apply online, individuals must log in using MinID, BankID, Buypass or Commfides. Paper applications have to be sent to the municipality. Applications must be completed by the 25th of each month to receive a response by the 20th of the following month.

3.2.9.3. Family benefits

Description of the benefits (including target group)

There are four family benefits in Norway: a universal child allowance, two child benefits for single parents and a young child allowance. The universal child allowance (*barnetrygd*) is granted to households for each child under the age of 18, regardless of the household's income. The benefit amount decreases for older children. Single parents are entitled to additional child benefit (*barnetrygd*) for one more child than they actually have. This additional amount is always calculated based on the rate for older children, irrespective of the age of the children.

The first child benefit for single parents (*overgangsstøna*) is contributory, means-tested and taxable. To qualify, a single parent must have been insured for five consecutive years immediately before applying for the benefit. Additionally, once the child is one year old, recipients are generally required to actively engage in vocational activities. In most cases, transitional benefits can be granted until the youngest child turns 8, with a maximum total duration of three years. A two-year extension to this period of three years might be given when the single parent engages in a professional qualification.

The second child benefit for single parents (*bidragsforskott*) functions as a form of child maintenance payment. If the maintenance owed by the other parent – based on the income of the other parent – is insufficient, an additional payment is made to bridge the gap between the actual payment made by the other parent and the minimum required child maintenance amount. The minimum required child maintenance amount depends on the income of the single parent.

Lastly, the young child allowance (*kontantstøtte*) is designed for young children aged 13 to 23 months who are not enrolled in a kindergarten receiving public funding (see next paragraph), or only use a kindergarten part-time. This benefit is non-contributory, not means-tested and is not subject to taxation.

In Norway, the childcare fee that a household pays per child is the maximum of the actual childcare fee, the national upper limit or the income-dependent upper limit. The national upper limit is a maximum childcare fee per child per month set by the government. The income-dependent upper limit is 6 per cent of the monthly household income per child. The income-dependent upper limit is reduced for parents whose household income falls below a specific threshold. They receive the initial 20 hours of day care free of charge if their children are between the ages of two and five years. Thus, their income-dependent upper limit is 6 per cent of their monthly income multiplied by the share of hours that are not free. Furthermore, the income-dependent upper limit is reduced by 30 per cent for the second child going to childcare and by 50 per cent for the third child and any subsequent children in childcare.

Single parents may also be eligible for an additional contributory and means-tested childcare benefit (*stønad til barnetilsyn*). They must have been insured for five consecutive years before applying for this benefit. The childcare benefit is calculated at 64 per cent of expenses, up to a fixed maximum benefit level.

Organisations involved

The Norwegian Labour and Welfare Administration is responsible for the implementation of all family benefits. It is required that the child maintenance is collected through the Collection Agency of the Labour and Welfare Administration, which will provide the maintenance information to the Norwegian Labour and Welfare Administration.

Description of the application process

All applications for family benefits are processed through NAV, and each benefit requires its own specific application form. For all four family benefits, the aim is to process the application within four weeks. The universal child allowance (*barnetrygd*) is typically automatically provided for children born in Norway. However, to receive the additional amount for single parents that is part of the universal child benefit (*barnetrygd*), the single parent must submit a separate

application. In addition to the application, individuals may need to provide supporting documents as proof of their eligibility for the single parent benefits (*overgangsstøna* and *bidragsforskott*) and young children allowance (*kontantstøtte*).

3.2.9.4. Healthcare

Description of the benefits (including target group)

In Norway, healthcare coverage is universal through the National Insurance Scheme (*Folketrygd*). This system is primarily funded by general taxes and contributions from both employers and employees. Most care is covered, but for some services or products, patients make co-payments. There are caps on the out-of-pocket contributions for most services and products. A small share of the population opts for additional private insurance, mainly to secure faster access and a wider range of options from private healthcare providers.

Organisations involved

Healthcare responsibilities in Norway are divided between the national government and municipalities. The government is tasked with the regulation, funding and supervision of healthcare services, which encompasses speciality care such as hospital services. Meanwhile, primary, preventive and nursing care are managed at the local level by municipalities.

Description of the application process

Enrolment is automatic for all residents.

3.2.9.5. Fiscal policies

Description of the benefits (including target group)

Income tax is paid to both the national and local government. There are several tax deductions on income tax paid to the local government. There is a personal deduction (*Personfradrag*) and a deduction for labour income (*Minstefradrag*). Furthermore, there is an additional tax deduction for single parents (*Særfradrag for enslige forsørgere*)⁷. There are no tax deductions for income tax paid to the national government.

The personal deduction is income-independent, meaning that it is a fixed amount for all taxpayers in Norway. The deduction for labour income is a fixed percentage of the labour income up to a maximum amount. Finally, the deduction for single parents is also income-independent.

Furthermore, there are two income tax bases: all taxable income and personal income (labour and pension income) only. All taxable income is taxed at a flat rate of 22 per cent, while personal income is taxed progressively.

Organisations involved

Skatteetaten, the Norwegian Tax Administration, is responsible for levying taxes and taking into account the tax deductions.

Description of the application process

It is not necessary to apply for the tax deductions.

⁷ This tax deduction was discontinued in March 2023.

3.2.10. Sweden

Sweden's minimum income benefits stand out, as social assistance contains financial compensation for reasonable costs of living, which is determined based on the standard of living of other low-income earners in the municipality. For low-income households consisting of people of working age without children, Sweden has no housing benefit. Sweden provides one family benefit, which is not means-tested. Moreover, there is a public healthcare system, with low remaining healthcare costs for Swedish citizens. The exact treatment fees are set by local authorities, and thus differ between regions. Finally, at the national level there is a large lowest income tax bracket of zero per cent. Low-income households do pay income tax to the local authorities.

3.2.10.1. Social assistance

Description of the benefits (including target group)

Swedish social assistance is called *ekonomiskt bistånd*. This is a non-contributory, means- and assets-tested, non-taxable benefit for individuals over 18 years old. To be eligible for social assistance, applicants must have exhausted all other means of support. Furthermore, recipients of social assistance are required to be actively seeking employment. The benefit amount consists of two parts: the first part is the national norm, which depends on household composition (including the age of the children); the second part consists of compensation for reasonable costs of living, such as housing and electricity costs. The amount of compensation for reasonable costs of living is determined by a social worker, based on the standard of living of other low-income earners in the municipality.

Organisations involved

Social assistance is administered by the municipalities. This means they are responsible for the payments and applications. Furthermore, in many municipalities the job search requirements of social assistance are administered by job centres, such as *Jobbtorg* Stockholm or the Public Employment Service in Malmö.

Description of the application process

Applications for social assistance go through the municipalities and processes may differ between the municipalities. For example, in the municipality of Boxholm, individuals have to call the municipality to set up an in-person meeting. In the municipality of Kungsbacka, it is possible to apply for social assistance through the municipality website. Municipality staff will then visit the applicant at home to verify the information provided in the application. In the cities of Malmö and Stockholm, first-time applicants have to call the municipality. Others can apply for social assistance online.

3.2.10.2. Housing benefits

Description of the benefits (including target group)

There are three different means-tested and non-taxable housing benefits in Sweden, each targeting a different group. The first housing benefit, the *Bostadsbidrag*, targets families and young people with little income. The benefit amount depends on housing costs and household composition. The means test also takes into account household composition, with the test being stricter for households without children. The second housing benefit is the *Särskilt bostadstillägg*, which is meant for individuals with an illness or disability. The amount of housing benefit depends on actual housing costs and household composition. The third housing benefit, the *Bostadstillägg*, is a housing benefit for pensioners. Pensioners are only eligible if they take out their entire state pension. The benefit amount depends on actual housing costs and household composition. For all three housing benefits, assets are taken into account in the means test.

Organisations involved

Försäkringskassan, the Swedish Social Insurance Agency, is responsible for determining eligibility and payment of the housing benefits for families, young people and the disabled.

The Swedish Pensions Agency (*Pensionsmyndigheten*) is responsible for the housing benefit for pensioners.

Description of the application process

Individuals can apply for the housing benefit for families and young people through the website of *Försäkringskassan*. As part of the application process, the applicant has to upload several documents; the required documents depend on the type of accommodation. Individuals living in a rented apartment have to provide their rental agreement and a rent specification. Individuals who are subletting have to provide a copy of the subletting contract and a document showing they have been approved as tenants for a fixed period. Individuals who own their home need to provide their most recent loan notice and documents that show that their house is collateral for their loan. In the case of couples, one person requests the housing benefit, whereas the other has to approve the application through the *Försäkringskassan*.

website. Alternatively, it is also possible to apply for the housing benefit using a physical form. A decision usually takes about 30 days. The housing benefit for families and young people is granted for a maximum of 12 consecutive months, after which period the applicant needs to reapply.

Applications for the housing supplement for sick and disabled people are the same as for the housing benefit for families and young people. However, it is not necessary to reapply every 12 months. A decision on eligibility may take up to 20 weeks.

Pensioners can apply for the housing benefit for pensioners through the website of the Swedish Pensions Agency, using their e-ID. During the application process, applicants are asked for their housing costs, income, assets and debts. Alternatively, individuals without an e-ID can apply via a paper form or through a service office. A decision on eligibility may take several months.

3.2.10.3. Family benefits

Description of the benefits (including target group)

Sweden has one non-means-tested, non-taxable child allowance (Barnbidrag). Everyone with children younger than 16 years old – or older if they are still in compulsory or special education – is eligible for the child allowance. The benefit amount depends on the number of children in the household, where the amount per child increases with the number of children in the household.

Organisations involved

Försäkringskassan, the Swedish Social Insurance Agency, is responsible for determining eligibility and payment of the child allowance.

Description of the application process

An application for the child allowance is not required.

3.2.10.4. Healthcare

Description of the benefits (including target group)

There are no healthcare-related benefits in Sweden; instead, Sweden has a public healthcare system. The remaining healthcare costs for Swedish citizens are relatively low. Treatment fees are set by local authorities, and thus differ between regions. Some healthcare is always free of charge, such as visits to midwifery clinics and child health centres, vaccinations for children and outpatient care for older people.

Organisations involved

None.

Description of the application process

None.

3.2.10.5. Fiscal policies

Description of the benefits (including target group)

Swedes pay income tax to both the national and local government. At both levels, there are tax reliefs in place for low-income households. At the national level, there is a lowest income tax bracket of zero per cent. This amounts to a large tax reduction for many Swedes, as the first bracket runs up to SEK 598,500 per year (about EUR 51,000). Furthermore, there is a basic tax deduction (*Grundavdrag*) on both national and local income taxes. The deduction amount is income-dependent and highest for low-income earners. Finally, individuals receive an earned income tax credit (*Jobbskatteavdrag*) on local taxes. The tax credit is income-dependent and highest for average-income earners. The exact amount of the tax credit varies between regions, as it depends on the local income tax rates.

Organisations involved

Skatteverket, the Swedish Tax Agency, is responsible for levying taxes and taking into account the tax deduction and credit.

Description of the application process

The basic tax deduction is, in principle, automatically deducted from taxable income by the Swedish Tax Agency. People who have not lived in Sweden for the full year have to claim their deduction when declaring their taxes.

There is no application required for the earned income tax credit.

3.2.11 United Kingdom

Minimum income benefits in the United Kingdom are characterised by the recent combination of six benefits and tax credits into one combined scheme: *Universal Credit*. This combined scheme includes social assistance payments, housing and child supplements, and disability payments. Moreover, healthcare is publicly organised and financed through general taxation. The system covers the majority of healthcare and additional regulations might be in place for recipients of social assistance.

3.2.11.1. Social assistance

Description of the benefits (including target group)

Universal Credit is the general social assistance scheme in the United Kingdom, which can be granted to employed, unemployed and disabled individuals. Since 2013, it combines six previous benefits or tax credits into a unified payment⁸. Universal Credit is a means-tested, non-taxable and non-contributory benefit. To be eligible someone must be between 18 years old and pension age, and must accept a claimant commitment. The claimant commitment is a record of work-related requirements and responsibilities. The benefit amounts are dependent on income, assets, household composition and the age of the recipient. Universal Credit is paid as long as all conditions are fulfilled.

Organisations involved

Universal Credit is administered and paid by the Department for Work and Pensions. The labour market services and requirements are delivered by Jobcentre Plus.

Description of the application process

An application for Universal Credit can either be made online or by phone using the Universal Credit helpline. To apply online, applicants must create a Universal Credit account on Gov.uk. If the applicant lives with a partner, both partners are required to create individual accounts and link them. The application has to be completed within 28 days after creating the account, otherwise the account will be deleted. To complete the application, supporting documents about housing, earning, disability, childcare and savings are required. Additionally, applicants must attend a meeting with Jobcentre Plus to establish the activities outlined in the claimant commitment.

3.2.11.2. Housing benefits

Description of the benefits (including target group)

Housing benefit is a component of Universal Credit. The amount of housing benefit depends on the rental price, the size of the house, the region, the household composition and the age of the children in the household. The eligible rent may differ from the contracted rent if the rent is deemed excessive or if the property size exceeds the household's needs. The maximum housing benefit that a household can claim is determined by the Local Housing Allowance rate, which varies based on the household size criteria and the region. The household size criteria, based on the number of people in the household and their age, determine the appropriate size of the house for which a household qualifies in terms of the number of bedrooms.

Organisations involved

Housing benefit is administered and paid by the Department for Work and Pensions. Local Housing Allowance rates are set annually by the Department for Work and Pensions using local rental data provided by the Valuation Office Agency.

Description of the application process

The housing benefit application is integrated within the Universal Credit application.

3.2.11.3. Family benefits

Description of the benefits (including target group)

The child benefit is, in general, a non-contributory, non-means-tested and non-taxable allowance independent of Universal Credit. It is paid to a caregiver of children under the age of 16 or under 19 if in full-time education. However, there is a tax charge for caregivers with an income above a certain threshold. The tax charge is designed so that effectively no benefit is paid to people with a high income.

Organisations involved

Child Benefit is administered by HM Revenue & Customs.

⁸ Universal Credit replaces the previous Child Tax Credits, Housing Benefit, Income Support, Income-Based Jobseeker's Allowance, Income-Related Employment and Support Allowance, and Working Tax Credit.

Description of the application process

After registration of a child's birth an application for child benefit can be made online, by phone or by post. An online application form is available through Government Gateway. Otherwise, the application form must be printed out or discussed over the phone. Additional information about the birth or adoption certificate, bank details and insurance numbers are required. With an online application, the first payment can be received within three days. In the case of application by post or phone, it will take longer. Child Benefit for a certain child can be claimed by only one person, so parents must decide who is better to make the claim.

3.2.11.4. Healthcare**Description of the benefits (including target group)**

The United Kingdom offers public healthcare through the National Health Service, which is financed through general taxation. The system covers the majority of healthcare and additional regulations might be in place for recipients of social assistance. Individuals have the option to purchase private health insurance as well, often to reduce waiting times or access enhanced facilities. Private health insurance is typically funded either through employer-sponsored healthcare schemes or through direct payments made by the individual.

Organisations involved

Healthcare in the United Kingdom is decentralised, with separate systems of public and privately healthcare for England, Northern Ireland, Scotland and Wales. In England, Parliament, the Secretary of State for Health and the Department of Health are responsible for health legislation and overarching policies. The day-to-day management of the National Health Service in England is entrusted to NHS England, which is an independent government-funded organisation that operates separately from the Department of Health.

Description of the application process

To receive National Health Services, registration with a general practitioner is required. After registering with a general practitioner, a National Health Service Number will be assigned. This number can be used for services under the National Health Services.

3.2.11.5. Fiscal policies**Description of the benefits (including target group)**

In the United Kingdom, there are no tax credits and there are only two tax deductions. There is a basic tax deduction (personal tax allowance) at the individual level, which gradually decreases with income. Moreover, there is a provision (marriage allowance) allowing people who are married or in a civil partnership to transfer 10 per cent of their personal tax deduction to their partner if they are not using the full deduction themselves. It is important to note that Universal Credit and its components are not subject to taxation.

Organisations involved and description of the application process

Income tax in the United Kingdom is collected by HM Revenue & Customs, which will calculate the amount of tax payable taking into account the personal tax deduction. To transfer part of the personal tax deduction to a partner it is necessary to complete a form, which can be done either online via Government Gateway or by completing a paper form and sending it to HM Revenue & Customs.

3.3. INDICATORS

Based on poverty and inequality measures, Denmark, Finland and Norway stand out as countries with comparatively low levels of both. Notably, these are also the countries that allocate a relatively high percentage of their GDP to social security. In contrast, the United Kingdom frequently falls on the opposite end of the spectrum.

This chapter presents indicators related to poverty, inequality, outcome performance and social spending. For each category of indicators, several measures are taken into account to give a complete overview. The outcome of the measures is generally based on the most recent available data.

3.3.1. Poverty measures

The first category of indicators used to assess the effectiveness of social security systems is poverty measures. Table 3.1 provides data on poverty rates, poverty reduction after income transfers and taxes, and income levels for two household types. The poverty rate is defined as the proportion of individuals (within a specific age group) whose income falls below the poverty threshold, typically set at half of the median household income of the entire population. The poverty gap is the ratio by which the average income of individuals living in poverty falls below the poverty threshold. Poverty reduction, on the other hand, represents the percentage reduction in the poverty rate after income transfers and taxes compared to the poverty rate before income transfers and taxes. The income measures give the amount of guaranteed minimum income (GMI) received by a household with zero income from employment, expressed as a percentage of the average wage in that particular country. The absolute poverty measure is defined as the proportion of individuals whose income falls below the absolute upper-middle-income poverty line of USD 6.85 a day.

Denmark, Finland and Norway stand out as countries with relatively low poverty rates, ranging from 7 to 8 per cent. In these countries, the poverty gap is also notably modest and there is a considerable reduction in poverty after accounting for income transfers and taxes. This relationship is partly explained by comparatively high levels of social security income. On the other hand, in Australia, New Zealand and the United Kingdom the opposite happens. These countries have relatively high poverty rates, between 11 and 13 per cent. They experience wider poverty gaps, smaller reductions in poverty following income transfers and taxes, and lower income levels derived solely from social security.

Table 3.1: Poverty measures

	Australia	Canada	Denmark	Finland	Germany	Netherlands	New Zealand	Norway	Sweden	United Kingdom
Poverty rate total (%)^a	13	9	7	7	11	9	12	8	9	11
Poverty rate 18-65 yrs (%)^a	10	8	8	8	11	9	11	9	9	10
Poverty rate 0-17 yrs (%)^a	13	7	5	3	12	10	15	7	9	12
Absolute poverty measure (%)^b	1	0.7	0.7	0.1	0.2	0.2	x	0.5	0.9	0.7
Poverty gap (%)^a	32	26	28	22	25	31	31	36	22	36
Poverty reduction after transfers and taxes (%)^a	48	67	72	81	66	68	51	70	63	60
Net income from GMI benefits single (% average wage)	21	12 ^c	30	29	21	31	25	32	30	27
Net income from GMI benefits couple + 2 kids (% average wage)	50	40 ^c	38	57	51	48	52	65	53	45
Net income from GMI benefits single (% median wage)	33	18 ^c	47	48	39	52	40	35	44	53
Net income from GMI benefits couple + 2 kids (% median wage)	40	30 ^c	55	47	47	40	41	36	36	45

Source: OECD and World Bank

Note: Poverty is defined as having an income below half of the median household income for the given age group in the specific country. The poverty rate is the share of individuals within that age group that falls below this poverty threshold. The absolute poverty measure is defined as the proportion of individuals whose disposable income falls below the absolute upper-middle-income poverty line of USD 6.85 a day. The poverty gap is the ratio by which the average income of individuals living in poverty is below the poverty threshold. Poverty reduction is the percentage reduction in the poverty rate after income transfers and taxes in comparison with the poverty rate before income transfers and taxes. The GMI benefit is the income received from social security by a household with zero income from employment and no working history. The data given are for the year 2022 unless indicated otherwise.

^a The data for Finland, Netherlands, Norway, Sweden are for 2021, the data for Germany and Denmark for 2019, and the data for Australia, Canada, New Zealand and the United Kingdom are for 2020.

^b The data for Denmark, Finland, the Netherlands, Sweden and the United Kingdom are for 2020, the data for Canada, Germany and Norway for 2019, and the data for Australia is for 2018.

^c In the jurisdiction of Ontario

3.3.2. Inequality measures

The second set of indicators used to assess the effectiveness of social security systems is inequality measures (see Tabel 3.2). The Gini coefficient is based on the comparison of cumulative proportions of the population against cumulative proportions of income (after taxes and transfers) that they receive. S80/S20 is the ratio of the average income of the 20% richest to the 20% poorest. The redistribution effort is the reduction in inequality after taxes and transfers, calculated as the average difference in Gini coefficients of income before taxes and transfers and income after taxes and transfers between 2007 and 2019.

In terms of inequality measures, Canada, Denmark, Finland, Germany, Norway and Sweden perform relatively well compared to Australia, New Zealand and the United Kingdom. Denmark and Finland excel among these nations, particularly in terms of a Gini coefficient of 0.27 and S80/S20 ratios of 3.8 and 3.9, respectively. Finland and Germany exhibit the highest redistribution effort. On the other hand, the United Kingdom ranks the lowest, with a Gini coefficient of 0.36 and an S80/S20 ratio of 6.1.

Table 3.2: Inequality measures

	Australia	Canada	Denmark	Finland	Germany	Netherlands	New Zealand	Norway	Sweden	United Kingdom
Gini^a	0.32	0.28	0.27	0.27	0.30	0.30	0.32	0.29	0.29	0.36
S80/S20^a	5.6	4.2	3.8	3.9	4.6	4.5	5.4	4.3	4.3	6.1
Redistribution effort (reduction in Gini after taxes and transfers)	0.14	0.12	0.18	0.23	0.21	0.15	0.13	0.16	0.15	0.16

Source: OECD

Note: The Gini coefficient compares cumulative proportions of the population against cumulative proportions of income (after taxes and transfers) that they receive. S80/S20 is the ratio of the average income of the 20% richest to the 20% poorest. The redistribution effort is the reduction in inequality after taxes and transfers, calculated as the average difference in Gini coefficients of income before taxes and transfers and income after taxes and transfers between 2007 and 2019.

^a The data for Finland, Netherlands, Norway, Sweden are for 2021, the data for Germany and Denmark are for 2019, and the data for Australia, Canada, New Zealand and the United Kingdom are for 2020.

3.3.3. Outcome performance measures

The third set of indicators used to assess the effectiveness of social security systems is outcome performance measures. This includes unemployment rates, employment rates, usage of social assistance and duration of social assistance (see Table 3.3). The unemployment rate is determined by the percentage of people in the working-age population who do not have a job, are actively seeking employment and have made specific efforts to secure a job. The employment rate is computed as the proportion of the working-age population that is currently employed. The usage of social assistance is determined as the number of individuals using social assistance as percentage of the relevant population. The duration of social assistance is presented as the percentage of recipients who still received social assistance after one year.

Germany and New Zealand have relatively low unemployment rates. Additionally, New Zealand has a high employment rate, whereas Germany's employment rate is around average. On the other hand, Canada, Finland and Sweden have relatively high unemployment rates. Canada and Finland are also the countries with the lowest employment rates, while that of Sweden is around average.

In terms of social assistance usage rates, Canada, Denmark, Norway and Sweden exhibit relatively low rates of below three per cent. On the other hand, Finland, Germany and the United Kingdom show relatively high usage rates ranging from eight to twelve per cent. It is essential to note that these usage rates cannot be directly compared across countries. Although they are all derived from the number of individuals receiving social assistance, the targeted individuals may vary between countries. For instance, in some countries only adults are counted as recipients of social assistance, while in other countries children are also counted. To address this discrepancy, the study aims to correct for it by considering the relevant age group of the population (either 0–65 or 15–65) in each country. Additionally, it is worth noting that the data is reported either annually or monthly, with yearly totals exceeding monthly totals by definition.

In Denmark, Finland and Norway, on average only around 30 per cent of the recipients of social assistance still receive social assistance after one year (or five years in the case of Denmark). This is in stark contrast with the Netherlands, where on average 87 per cent of the recipients still use social assistance after one year. In other countries between 40 and 67 per cent of the recipients are still dependent on social assistance after the first year.

Table 3.3: Outcome performance measures

	Australia	Canada	Denmark	Finland	Germany	Netherlands	New Zealand	Norway	Sweden	United Kingdom
Unemployment rate (2021, %)	5.1	7.5	4.8	7.5	3.5	4.0	4.1	5.0	8.7	4.5
Employment rate (2021, %)	74.9	73.5	75.56	72.67	75.6	80.2	78.3	76.3	75.4	75.2
Usage of social assistance (% population)^a	4.8	2.2	2.1	11.7	8.4	3.8	5.1	2.9	2.4	9.6
Duration of social assistance longer than 1 year (% of total usage)	67	63	34b	33	41b	87	52	30	40	x

Source: OECD, World Bank and SEO Amsterdam Economics

Note: The unemployment rate is determined by the percentage of people in the working-age population who do not have a job, are actively seeking employment and have made specific efforts to secure a job. The employment rate is computed as the proportion of the working-age population that is currently employed. The usage of social assistance is determined as the number of individuals using social assistance as a percentage of the relevant population (see Note a for a specification of the relevant population). The duration of social assistance is presented as the percentage of recipients who still received social assistance after one year.

^a The data for Australia, Denmark, Germany, the Netherlands, New Zealand and the United Kingdom are for 2023, and the data for Canada, Finland, Norway and Sweden for 2022. Furthermore, for Australia, Finland, the Netherlands and New Zealand the percentages are for the population aged 15–65, while for the other countries they are for the age group of 0–65. These differences follow from whether or not the absolute number of social assistance recipients includes children in social assistance households. Calculations from Australia, Denmark, Germany, the Netherlands, New Zealand and the United Kingdom are for a specific month. Data from Canada, Finland, Norway and Sweden are measured over a whole year.

^b Duration of social assistance longer than five years for Denmark and Germany.

3.3.4. Spending measures

The fourth set of indicators used to assess the effectiveness of social security systems is spending on social security (see Table 3.4). First, social spending is given as a percentage of GDP and as a percentage of government spending. Social spending includes all public cash benefits for old age, survivors, disability, health, family, active labour market programmes, unemployment and housing. It is important to note that the social benefits included differ per country, as risks that are covered by the state in some countries are covered privately in other countries. Therefore, expenditure on health, family and housing are specified separately. For the European countries, the share of administrative costs within the total spending is given. The efficiency of social expenditure follows from Herrmann et al. (2008). They first predict poverty after taxes and transfers based on poverty before taxes and social transfers through linear regression. They then compare the predicted with the actual value to reach a performance measure that indicates if the country's poverty situation is better or worse than expected. This comparison is called the measure of the expected poverty situation. Thereafter they linear regress social expenditure as a percentage of GDP on the measure of the expected poverty situation. They then compare this newly predicted variable with the expected poverty situation; the residual between those two is their measure of efficiency of social expenditure.

Denmark and Finland allocate a significant portion of their GDP towards social security in contrast to Canada, the Netherlands and the United Kingdom, which allocate relatively smaller proportions. However, it should be noted that certain countries, such as the Netherlands, privately organise healthcare and pensions, whereas others do this collectively. This discrepancy can create a distorted representation of total social spending as a percentage of GDP. This distortion becomes evident when examining the measure of social spending minus healthcare and old age spending, revealing that the Netherlands scores relatively average compared to when only social spending is considered. Denmark and Finland also commit substantial portions of their government spending to social security, as do Germany and New Zealand. In the case of Canada and the United Kingdom, the connection is less pronounced, as their performance in terms of social spending as a percentage of government expenditure is around average. Countries with low shares of administrative costs are Finland, Norway, Sweden and the United Kingdom, with the United Kingdom being particularly efficient in this regard.

Table 3.4: Spending measures

	Australia	Canada	Denmark	Finland	Germany	Netherlands	New Zealand	Norway	Sweden	United Kingdom
Social spending (% GDP, 2019)	20.5	18.8	28.4	29.4	25.6	16.3	23.6	25.3	25.1	19.5
Social spending excluding health and old age spending (% GDP, 2019)	8.9	6.4	11.6	10.9	8.6	7.6	11.6	9.4	9.4	6.0
Social spending (% gov spending, 2019)	49.0	42.3	57.3	55.2	56.9	38.7	58.2	49.0	51.0	45.4
Health spending (% GDP, 2019)	6.3	7.7	6.7	5.8	8.3	2.9	7.2	6.6	6.6	7.9
Family spending (% GDP, 2019)	2.3	1.8	3.3	2.9	2.4	1.6	2.7	3.2	3.4	2.4
Housing spending (% GDP, 2019)	0.3	0.3	0.7	0.9	0.5	0.4	1.1	0.1	0.4	1.1
Old age spending (% GDP, 2019)	5.3	4.7	10.1	12.7	8.7	5.8	4.8	9.3	9.1	5.6
Share of administrative costs (% social spending, 2020)	x	x	4.1	1.6	3.7	5.5	x	1.7	1.9	0.7
Efficiency of social expenditures in the EU	x	x	2.03	2.69	0.84	2.75	x	x	1.76	-2.92

Source: OECD and Herrmann et al. (2008).

Note: Social spending is given as a percentage of GDP and as a percentage of government spending. Social spending includes all public cash and in-kind benefits for old age, survivors, disability, health, family, active labour market programmes, unemployment, housing and other social policy areas. The spending on health, family, housing and old age is also given separately. The efficiency of social expenditure is the residual between the expected poverty situation and social expenditure as a percentage of GDP (for more details, see Herrmann et al. (2008) and the explanation in the first paragraph of Section 3.4).

3.4. LINK BETWEEN INDICATORS AND THE SOCIAL SECURITY SYSTEM

Establishing a direct link between indicator outcomes (Chapter 3) and a particular social security system (Chapter 2) proves challenging due to the effects of various factors on the indicators. Some tentative associations that may be identified include a low proportion of administrative costs linked to a singular implementing organisation, high social spending correlated with lower poverty rates or the absence of unemployment benefits associated with higher poverty rates.

Interpreting the connection between these indicators and the social security system requires a cautious approach. Various factors, such as general income levels within a country or benefit amounts, can influence these indicators. Therefore, it is important to note that the connections presented here represent the authors' own insights supplemented with findings in literature and are not based on a causal relation.

In the United Kingdom, the replacement of six means-tested benefits with one monthly payment is expected to enhance simplicity and can explain the low proportion of administrative costs as a percentage of social spending (see Table 3.4). This is in line with the UK government's argument that the simplification of the system makes it cheaper to administer than the benefits it has replaced (National Audit Office, 2020).

Australia and New Zealand lack a separate unemployment insurance system. The high poverty rates seen in Table 3.1 can be partly attributed to this absence. For instance, according to a report from the Department of Social Services in Australia (2022), Australian unemployment benefits as a share of the average wage rank second lowest among 37 OECD countries (Coates & Cowgill, 2021). This means that most Australians face large income losses when they lose their job compared to people in other countries. Theoretically, this could also contribute to low job mobility since people are unwilling to move to a higher skilled but less secure job.

In Finland there is a high usage of social assistance, which can be explained by the characteristics of its social assistance system (see Table 3.3). For instance, according to Tervola et al. (2023) the legislative features of social assistance, such as more extensive benefits norms and earnings disregard, i.e. the portion of a part-time worker's earnings that is not counted, contribute to Finland's higher eligibility rate and high number of recipients. The high number of recipients in combination with the high benefit amount might also explain the relatively high percentage of social spending.

According to Miežienė and Krutulienė (2019), high percentages of social spending lead to lower poverty rates. For instance, in Finland the number of people at risk of poverty has more than halved as a result of social transfers. This is also the case for Denmark, a country with a high percentage of social spending as well. Hence, the authors argue that there is a statistically significant relationship between the levels of social expenditure and antipoverty effects. This explains the relatively low poverty numbers of these countries compared to the other countries. Additionally, significant social security expenditure in combination with lower taxes for those with lower incomes, effectively minimises income inequality in these countries.

3.5. CASE 1: FOCUS ON SCHOOLING IN DENMARK

Young social assistance recipients in Denmark who have not completed at least a vocational education programme but should be able to do so, receive lower social assistance. This financial incentive has positive effects on educational enrolment and employment, but also worsens the financial position of those who do not enrol or find employment. Moreover, the policy is targeted at those who are expected to be able to start and finish an education, but this categorisation proves to be difficult in practice.

The primary goal of social assistance for young people in Denmark is to get as many young people as possible to start and complete an education. Young social assistance recipients who have not previously completed at least a vocational education programme but should be able to do so, face lower social assistance rates. To target these education efforts at the right group, social assistance recipients are categorised based on their age, educational attainment and ‘readiness’ for education (Figure 5.1). Therefore, the lower social assistance rates only apply to young people (younger than 30 years) without a vocational qualification who are able to follow an education. The latter is determined by the municipalities’ job centres on entry into social assistance. All other social assistance recipients receive the regular social assistance rates.

Figure 5.1: Lower rates and enrolment obligation for young recipients without vocational qualification

Social assistance recipients		
Over 30 years old	Under 30 years old	
	Without vocational qualification	With vocational qualification
	Ready for activity	(Clearly) ready for education
	Regular social assistance rates*	Lower social assistance rates
		Regular social assistance rates

Source: SEO Amsterdam Economics.

Note: * Activity-ready recipients only receive the regular rates if they take part in activation efforts.

During the first three months of social assistance, young recipients are categorised by the municipalities’ job centres as being either clearly ready for education, ready for education or ready for activity. This categorisation follows general guidelines, which define which criteria to take into account in the categorisation⁹. The interpretation of this information is left to the caseworker. There are no hard quantitative criteria that determine the categorisation. This gives the caseworkers considerable discretionary power, allowing them to take into account personal circumstances.

Individuals are categorised as clearly ready for education if they are assessed as being able to start an education immediately. In that case, they are also required to enrol in education as quickly as possible, or risk being sanctioned. Individuals are categorised as ready for education if they are assessed as being able to start an education within one year. These recipients are given guidance from the municipality that should prepare them for getting into education. The others are categorised as ready for activity, implying that they first have to overcome significant barriers before they can start their education. Guidance from the municipality is focused on overcoming those barriers, but the end goal of education remains. In the remainder of this case study the category ‘ready for education’ refers to both those clearly ready for education and those ready for education, as both receive the lower social assistance rates.

The lower social assistance rates are at the same level as a regular student grant in Denmark, to make social assistance and studying financially equal¹⁰. These rates are about 20 to 75 per cent lower than the regular social assistance rates (see Table 5.1 for some example households), depending on the household composition.

⁹ These criteria include the recipient’s employment history, highest completed education, previous receipt of public benefits, education or job goals, network and self-assessed health. The guidelines are updated regularly.

¹⁰ In practice, recipients of the lower social assistance rates are worse off financially, as they are not eligible for student loans. Also, additional income is deducted from social assistance but not from the student grant, and social assistance is assets-tested, while the student grant is not.

Table 5.1: Social assistance rates in 2024 are 20 to 75 per cent lower for young 'ready for education' recipients

	Under 30 years old		
	Without vocational qualification and 'ready for activity'	Without vocational qualification and 'ready for education'	% lower
Breadwinners with children	16,382 DKK (€2,197)	9,454 DKK (€1,268)	-42%
Single parents	16,382 DKK (€2,197)	13,509 DKK (€1,812)	-21%
Without children and without mental disorder, living with parents	12,326 DKK (€1,653)	2,910 DKK (€390)	-76%
Without children and without mental disorder, living independently	12,326 DKK (€1,653)	6,754 DKK (€906)	-45%

Source: *Borger.dk*.

Note: The table gives examples of social assistance rates for several household compositions. This list is not exhaustive.

In this case study, we outline the effects of the lower social assistance rates for young social assistance recipients without a vocational qualification. We consider whether the policy has been successful in increasing educational enrolment, the effects on employment and social assistance use, the negative income effects of the policy, and the consequences and functioning of the policy's inherent categorisation.

3.5.1. Increased participation in education, but difficulties retaining students

The lower social assistance rates for young social assistance recipients without a vocational qualification increase the share of young unemployed people and young social assistance recipients in education. The policy incentivises social assistance recipients to follow an education in two ways:

1. As young people without a vocational qualification receive lower social assistance rates, there is a financial incentive to obtain a vocational qualification to receive the regular social assistance rates;
2. The mandatory education enrolment for those categorised as obviously ready for education clearly incentivises enrolment in education, as sanctions are given to non-compliers.

Kleif and Nielsen Arendt (2020) conclude that about 0.5 to 1 percentage points more young social assistance recipients are in education because of the policy. Compared to the share of social assistance recipients in education before the policy's implementation, this implies a relative increase of about 20 per cent. For the group that is affected by the lower benefits – people without a vocational qualification who are assessed to be able to follow an education – this effect is higher, at about 5 to 7 percentage points (a relative increase of 30 to 50 per cent). Similar results are found by DØR (2015), who conclude that the lower rates for young social assistance recipients increase outflow from social assistance to education by about 6 percentage points. A study by the Danish Ministry of Employment also finds that the lower rates have led to increased exits from social assistance to education or employment, but does not distinguish between the effect on education enrolment and employment (Beskæftigelsesministeriet, 2016).

However, not all of those who enrol in education thanks to the policy actually finish their education. The Danish National Audit Office finds that only about 15 per cent of the young social assistance recipients who started an education between 2014 and 2019 because of the policy, completed it (Rigsrevisionen, 2020). STAR (2018) estimates that about half the young social assistance recipients who start an education because of the policy drop out within a year. Kleif and Nielsen Arendt (2020) show that a large share of those enrolled in education after first being on social assistance drop out the moment they turn 30 years old, as the lower social assistance rates then end. This implies that, even though the policy encourages young people into education, it is less effective in incentivising them to finish their education.

The number of dropouts may be reduced if schools and municipalities offer more support and guidance during the education. By law, the schools are required to offer support and guidance to students who need it. To be able to do so, they are first required to assess whether a student is in need of guidance or support. The National Audit Office shows that for the majority of students covered by the policy, their need for support and guidance is never assessed

by the school (67 per cent), even though the schools are notified that these students are covered by the policy and therefore might be in need of extra support (Rigsrevisionen, 2020). Furthermore, vocational schools are required by law to provide a dedicated mentor to students who need it. However, in practice, only 60 per cent of the students covered by the policy are provided with a dedicated mentor during their education. Municipalities are also able to provide additional support in the form of temporary mentors to prevent education dropouts. However, BDO (2022) shows that only about 9 per cent of young social assistance recipients who start an education receive such a mentor. Thus, there is room for improvement when it comes to the efforts made by the schools and municipalities to retain young people in education.

3.5.2. Increased participation in employment

The lower rates for young social assistance recipients without a vocational qualification also had a small positive effect on the share of young unemployed people and young social assistance recipients who found employment. The policy incentivises social assistance recipients to take up employment by making employment financially more attractive relative to social assistance. By lowering the social assistance rates, the financial gain from leaving social assistance for employment is higher; empirical evidence confirms this. Kleif and Nielsen Arendt (2020) estimate that the lower social assistance rates increased employment by 2 to 3.5 percentage points for the group that is affected by the lower benefits – people without a vocational qualification who are assessed as being able to follow an education. According to DØR (2015), the outflow from social assistance to employment increased by about 1 percentage point thanks to the policy, and the total employment rate among young social assistance recipients rose by 0.5 to 0.8 percentage points. Finally, a study by the Danish Ministry of Employment also finds that the lower rates have led to increased exits from social assistance to education or employment, but does not distinguish between the effect on education enrolment and employment (Beskæftigelsesministeriet, 2016).

3.5.3. Majority of targeted group in a worse financial position

The lower rates for young social assistance recipients without a vocational qualification reduce the share of young unemployed people who receive social assistance. In part, this is a direct consequence of the higher shares in education and employment. However, the number of young people leaving social assistance without having found employment or having started an education also increases due to the policy. DØR (2015) estimates that the outflow from social assistance among young recipients has increased by about 9 percentage points because of the policy, 1.5 percentage points of which represents those who leave social assistance without having found employment or having started an education. Similarly, STAR (2018) finds that about 5 per cent of the recipients of the lower social assistance rates leave social assistance without having found employment or having started an education. These are young people who choose to be self-supporting instead of reliant on social assistance, even though they are theoretically still eligible for social assistance¹¹.

Furthermore, young individuals who face the lower social assistance rates but do not manage to finish an education or find employment, are worse off financially. According to Cevea (2021), this is the case for the majority of the policy's target group (80 per cent). Moreover, the intention of the policy was to have young people on the lower rates for a maximum of one year, implying that they would have started an education within one year after entering social assistance. In practice, however, over one-third of the young social assistance recipients on the lower rates receive it for more than one year and 15 per cent even receive it for more than two years (Cevea, 2021).

The lower social assistance rates may seem unfair to those who do not manage to start an education or find employment. To them, the lower rates do not function as a motivator, but only worsen their financial situation. For many socially vulnerable people, the lower rates are even a cause of desperation (Rådet for socialt udsatte, 2014).

3.5.4. Targeted efforts, but this makes system vulnerable

The categorisation of young social assistance recipients into being 'ready for education' or 'ready for activity' allows for targeted guidance and activation incentives. The categorisation is used to determine who is able to start an education. The idea behind this is that those who are able should be motivated and helped with starting an education, while those who are not able should not be punished for not following an education. Therefore, only the education-ready social assistance recipients receive the lower rates. The guidance they receive from the municipality is also more focused on getting into education than for the activity-ready social assistance recipients. Thus, the categorisation ensures that young people receive the guidance and incentives that are suited to their situation.

¹¹ Changes in partner status or wealth may also cause exits from social assistance without the recipients having found employment or education. However, there is no reason to assume that the policy would increase exits for such a reason.

The categorisation of being 'education' or 'activity' ready makes the system vulnerable to miscategorisation. Young social assistance recipients are dependent on their categorisation, as it determines the rate of social assistance that they will receive. The stakes are high, as social assistance rates are often about 40 per cent lower and can even be up to 76 per cent lower for education-ready social assistance recipients (Table 5.1). This creates counteracting incentives for social assistance recipients and the municipality (Braun & Christensen, 2020). That is, the recipients have an incentive to appear to be as incapable as possible to be categorised as ready for activity instead of ready for education, because this will result in them getting higher social assistance benefits. The municipalities, on the other hand, have an incentive to categorise as many people as possible as being ready for education, because these benefit rates are lower, thus reducing total costs.

However, the categorisation of young social assistance recipients proves to be difficult. The national guidelines set out which criteria to take into account in the categorisation, but the interpretation of this information is left to the caseworker. There are no hard quantitative criteria that determine the categorisation. This gives the caseworkers considerable discretionary power, allowing them to take circumstances into account, but also seems to lead to inconsistencies in the categorisation between municipalities. Braun and Christensen (2020) note that there are large differences between municipalities in how they categorise young social assistance recipients. Notably, after the policy's implementation, the share of people categorised as ready for education ranged from 14 to 87 per cent across municipalities, without there being any observable differences between the social assistance recipients that might justify this¹². Some heterogeneity between municipalities due to unobservable differences between social assistance recipients is inevitable. However, differences of this size between municipalities suggest that there is an element of arbitrariness to the categorisation, implying that a person's categorisation is affected by where they live.

Moreover, there is reason to believe that young people are too easily categorised as being ready for education. According to Cevea (2021), the fact that over 80 per cent of those categorised as ready for education do not enrol in education, is a signal that the categorisation is flawed. STAR (2019a) also notes that over 70 per cent of those who are deemed education-ready have a history of dropping out of education. This signals that these young people have difficulties finishing an education. It is therefore questionable whether they are able to complete an education within one year, which is a requirement for being categorised as ready for education. It does not mean that municipalities systematically misjudge young social assistance recipients. In fact, the National Board of Appeals shows that municipalities generally categorise youngsters in line with the official categorisation guidelines (Ankestyrelsen, 2015). Instead, the categorisation criteria for education-ready may be too broadly defined.

Finally, the categorisation sometimes makes people feel powerless or even humiliated (Rådet for socialt udsatte, 2014). For the education efforts to be targeted at those who are able to complete an education, the categorisation is inherently necessary. However, the downside of this is that social assistance recipients must share many private details about their lives with the municipality to have someone else decide on their capabilities. Social assistance recipients feel as if they have little control over the outcome of the categorisation (Rådet for socialt udsatte, 2014).

3.5.5. Administrative burden and personnel effort

The inherent categorisation of young social assistance recipients requires a lot of administrative and personnel effort from the municipalities and caseworkers. On entry into social assistance, young recipients must be categorised by the municipalities' job centres as being either obviously ready for education, ready for education or ready for activity. This decision is not always made after one meeting, but the process of categorisation may take several meetings and may last up to three months. These meetings and the basis for the decision have to be documented. Furthermore, if the young person's circumstances change significantly, they must be recategorised.

Moreover, the required guidance of young social assistance recipients also demands a lot of personnel effort from the municipalities, caseworkers and schools. All social assistance recipients younger than 25 years old must create an education plan in collaboration with their caseworkers. This plan must lay out concrete short- and long-term goals for the social assistance recipients. Additionally, all social assistance recipients have access to My Plan, a platform where all agreements, job offers, education goals and related data are documented. Municipalities can also provide additional guidance to young social assistance recipients who have enrolled in education, by assigning them a temporary mentor. The schools are also required to offer support and guidance to students who need it. To do so, they are first required to assess whether a student is in need of guidance or support; they should then provide a dedicated mentor to the students who need it.

¹² According to Braun and Christensen (2020) the differences between municipalities have decreased since the implementation, but have not disappeared.

3.5.6. Conclusion

The primary goal of social assistance for young people in Denmark is to get as many young people as possible to start and complete an education. Young social assistance recipients who have not previously completed at least a vocational education programme but should be able to do so, face lower social assistance rates. Whether the lower social assistance rates should apply to someone is determined by assessing their 'readiness' for education. This categorisation is undertaken by the municipalities' caseworkers, based on national guidelines, but with significant room for discretion.

This focus on schooling for young social assistance recipients has positive effects on enrolment in education and employment among social assistance recipients. The lower social assistance rates increase the share of young unemployed people and young social assistance recipients in education by about 20 per cent (Kleif & Nielsen Arendt, 2020). The policy also has a small positive effect on the share of young unemployed people and young social assistance recipients who find employment (Beskæftigelsesministeriet, 2016; DØR, 2015; Kleif & Nielsen Arendt, 2020).

Categorising young social assistance recipients based on their 'readiness' for education allows for targeted guidance. The categorisation ensures that young people receive the guidance and incentives that are suited to their situation.

However, the policy also has several downsides. Most importantly, the financial situation of many young people is negatively affected by the policy. About 80 per cent of the target group does not manage to enrol in education or find employment, but is still faced with the lower social assistance rates (Cevea, 2021). An increased share also leaves social assistance without having found employment or having started an education due to the policy (DØR, 2015; STAR, 2018). The policy has negative effects on their financial position as well.

Moreover, even though the policy increases educational enrolment, it is less effective in incentivising social assistance recipients to finish an education. Only about 15 per cent of those enrolled in education thanks to the policy actually finish their education (Rigsrevisionen, 2020). The number of dropouts may be reduced if schools and municipalities offer more support and guidance during the education. By law, they are required to offer support, guidance and mentorship to students who need it. In practice, however, only about 60 per cent of the students receive such guidance from the school, and only about 10 per cent of them are assigned a mentor by their municipality.

Furthermore, the categorisation of young social assistance recipients makes the system vulnerable to miscategorisation. Young social assistance recipients are dependent on a correct categorisation, as it determines the social assistance rates that they will receive, but the categorisation proves to be difficult in practice. There are large differences in the categorisation between municipalities (Braun & Christensen, 2020) and there are signs that social assistance recipients may be categorised too easily as being 'ready for education' (Cevea, 2021; STAR, 2019a).

Finally, correct categorisation and guidance requires a lot of administrative and personnel effort. Reaching a categorisation decision can take several meetings and may last up to three months. Also, if the young person's circumstances change significantly, they must be recategorised. Moreover, the required guidance of young social assistance recipients demands a lot of personnel effort from the municipalities, caseworkers and schools. The caseworker is required to develop an education plan with the recipient, and both municipalities and schools must provide support by assigning a mentor if necessary.

Table 5.2: Strong and weak aspects of focus on schooling in Denmark

Strong aspects	Room for improvement / Weak aspects
Increased participation in education and employment.	High dropout rates from education in the targeted group.
Education efforts targeted at those who are able to finish an education.	Majority of targeted group in a worse financial position: <ul style="list-style-type: none"> • Due to lower rates and not finding education or employment. • Due to leaving social assistance, but not finding education or employment.
	System vulnerability because of dependence on correct categorization, which proves to be difficult.
	Correct categorization and guidance require a lot of administrative and personnel effort.

3.6. CASE 2: THE 225-HOUR RULE IN DENMARK

The 225-hour rule dictates that social assistance recipients in Denmark must work at least 225 hours per year if they wish to retain full social assistance. This rule seems to improve labour market outcomes for social assistance recipients, but it worsens the financial situation of those who do not comply. Exemptions and extensions can be granted to individuals who cannot comply, although it is not always clear who should be granted these exemptions and extensions.

Social assistance recipients in Denmark who are able to work at least 225 hours a year, are expected to do so. Otherwise, their social assistance benefit will be reduced. This is determined in the so-called 225-hour rule, which dictates that people who have received social assistance for one year or more within a three-year period, must have worked at least 225 hours in ordinary, unsubsidised employment during the previous 12 months if they wish to retain full social assistance¹³. Working 225 hours in a year corresponds to working about five hours a week during the whole year or working about six full-time weeks. The number of hours worked is, generally, automatically registered in an online income register. In cases where there is no automatic registration, e.g. when the recipient is self-employed, documentation of the number of hours worked is up to the social assistance recipient¹⁴.

In principle, all recipients of social assistance are covered by the 225-hour rule. This includes those who are older than 30 and assessed as being ready for activity or ready for work, but also those who are younger than 30 and receive the regular social assistance rates. Social assistance recipients 30 years old who receive lower social assistance rates because they have not finished a vocational education and should be able to do so, are not covered by the 225-hour rule¹⁵.

Individuals who cannot obtain employment in the ordinary labour market can be (temporarily) exempted from the 225-hour rule by the municipality's caseworkers. Moreover, the accrual period of 12 months can be extended in periods where the recipient is unable to work due to, for example, illness or pregnancy. This gives the recipient more time to meet the 225-hour rule.

The benefit penalty for not meeting the 225-hour rule varies by marital status and benefit level. If the recipient is unmarried, the penalty is equal to DKK 561 per month (for non-breadwinners) or DKK 1,125 per month (for breadwinners)¹⁶. This equals a 4 to 9 per cent reduction of the benefit, depending on the household composition. For married recipients, the sanction is much higher. If one or both people who are a couple do not meet the 225-hour rule, one of their benefits is reduced so that the combined assistance they receive is equivalent to one adult rate. The penalty for a married person is therefore equivalent to 50 per cent, a much higher percentage than for an unmarried individual. People regain full entitlement when they meet the 225-hour rule again.

Social assistance recipients are given help in finding work. Caseworkers from the municipality regularly check up on the recipients and give guidance on how to improve their chances of finding a job. Moreover, each municipality has a corresponding job centre, where social assistance recipients are required to register. These job centres also offer advice and guidance to social assistance recipients on moving into employment. Through the job centres' online platform Jobnet, social assistance recipients have access to job openings and can apply for them directly. However, the responsibility to find work and meet the 225-hour rule remains with the social assistance recipient.

¹³ Worked hours in jobs for which the employer receives a wage subsidy or in an internship as part of an education do not count towards the 225 hours, as these do not fall under ordinary, unsubsidised employment. Self-employment does count.

¹⁴ There are no strict rules regarding the documentation of the number of hours worked. However, to prevent fraud the municipality may decide that the pay or number of hours worked do not provide sufficient evidence for meeting the 225-hour rule. For irregular employment (without fixed hours), the municipalities calculate the number of hours worked by dividing the salary by an assumed hourly wage. For more information, see [Guidance on the 225-hour rule for married couples and unmarried persons receiving assistance under Section 11 of the Active Social Policy Act \(retsinformation.dk\)](#)

¹⁵ For social assistance recipients younger than 30 years old who have not finished a vocational education, the first focus goal of the social assistance guidance is getting into education, instead of employment (see Chapter 5). For more information on who is covered by the 225-hour rule, see [Guidance on the 225-hour rule for married couples and unmarried persons receiving assistance under Section 11 of the Active Social Policy Act \(retsinformation.dk\)](#)

¹⁶ For more information, see: [225-timersreglen for ugifte, der modtager uddannelseshjælp eller kontanthjælp \(borger.dk\)](#)

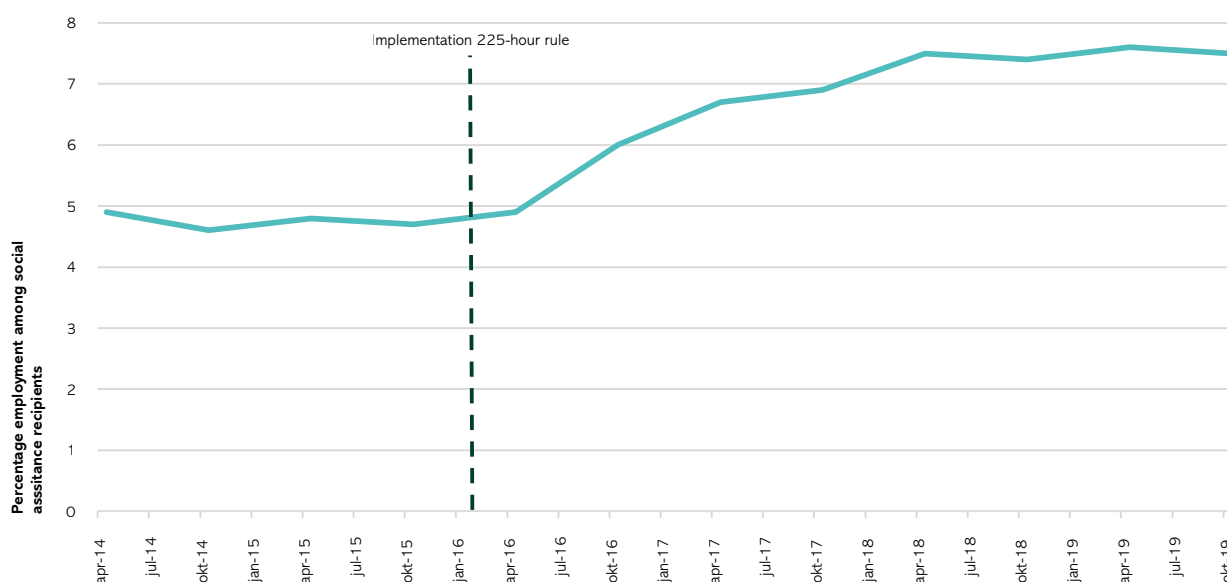
In this case study, we study the effects of the 225-hour rule. We consider whether the policy has been able to increase labour market participation among social assistance recipients, the understanding of the risk of sanctions, the administrative burden for caseworkers and its effect on the caseworkers' guidance.

3.6.1. Improved labour market outcomes

The 225-hour rule seems to increase the share of social assistance recipients who work more than 225 hours a year (Finansministeriet, 2019). In 2015 (before the reform came into force), the proportion of social assistance recipients who worked between 225 and 300 hours in the previous year was 6.3 per cent. This percentage rose to 8.9 in 2018, after the reform took place. This implies an increase in the share of social assistance recipients working more than 225 hours of 2.6 percentage points. After controlling for cyclical fluctuations in the economy, this difference still persists. This increase in the share of social assistance recipients who work more than 225 hours a year can be due to (i) social assistance recipients who already had a job and increased their hours after the reform, or (ii) social assistance recipients who previously did not have a job and now found employment for at least 225 hours a year. The following paragraph suggests that both mechanisms play a role.

The proportion of social assistance recipients who work in addition to receiving the benefit has increased by approximately 2.5 percentage points since the introduction of the 225-hour rule (Beskæftigelsesministeriet, 2019; Dansk Arbejdsgiverforening, 2020). The proportion of social assistance recipients with a job was fairly stable at around 5 per cent until the spring of 2016, but after the 225-hour rule came into force it increased to about 7.5 per cent (Figure 6.1). Although the introduction of the 225-hour rule took place during a period of economic expansion, with employment already rising since 2013, a large part of this 2.5 per cent increase is likely due to the 225-hour rule. The proportion of social assistance recipients who worked was already on the rise from 2013, but after the introduction of the 225-hour rule there was a sudden and much stronger increase in the share of recipients with a job. This indicates that the 225-hour rule played a significant role in the fact that more social assistance recipients gained a closer connection to the labour market (Dansk Arbejdsgiverforening, 2020). The increase of 2.5 percentage points is slightly smaller than the increase in the share of recipients who work more than 225 hours per year. This suggests that both of the above-mentioned mechanisms play a role. Even if all recipients who found employment after the reform immediately managed to work at least 225 hours per year (mechanism (ii)), there were also recipients who were already in employment before the reform and increased their number of hours worked because of it (mechanism (i)).

Figure 6.1: Share of social assistance recipients whose work increased after implementation of the 225-hour rule



Source: Danks Arbejdsgiverforening, 2020

Finally, the Danish Ministry of Finance estimates that the 225-hour rule increases the outflow from social assistance to employment (Finansministeriet, 2019). The Ministry has found that the 225-hour rule increased the exit rate from social assistance for people who had been on social assistance for at least 79 weeks by about 0.5 per cent.

Additionally, the Danish Ministry of Employment has found evidence that the 225-hour rule, combined with another measure that was implemented at the same time¹⁷, has increased the outflow from social assistance to employment or education by 11 to 57 per cent (Beskæftigelsesministeriet, 2018). The Ministry cannot allocate which part of this effect is due to the 225-hour rule.

3.6.2. Worse financial position for non-compliers

The 225-hour rule worsens the financial situation of those who are sanctioned. The policy inherently assumes that everyone covered by the rule is able to work at least 225 hours a year. Those who do not comply, are sanctioned. There will always be people who will not meet the 225-hour criterion and who will therefore be worse off financially. According to STAR (2019b), about 12 per cent of all social assistance recipients were sanctioned because of the 225-hour rule in 2017 and 2018. Mploy (2018) shows that sanctions are mostly given to job-ready recipients (28%) and less often to activity-ready recipients (8%). This is due to the fact that activity-ready recipients are often exempted from the 225-hour rule.

3.6.3. Targeted incentives, but this makes the system vulnerable

Individuals who cannot meet the 225-hour rule due to, for example, illness can be exempted from the rule or the accrual period of 12 months can be extended. This gives the municipality's caseworkers some room for taking into account the personal circumstances of the social assistance recipient. In a case study, BDO (2023) finds that about 32 per cent of social assistance recipients are exempt from the 225-hour rule, and over 50 per cent of them have been exempt at some point. The exemption rate is highest among activity-ready social assistance recipients.

Accurate granting of exemptions is essential for a targeted 225-hour rule, but this dependence makes the system vulnerable. The possibility of granting exemptions and extensions allows for a better targeting of the 225-hour rule, as it ensures that individuals who really cannot work in the short term are not punished for it. However, it also makes individuals who are facing health-related difficulties dependent on this exemption. Misjudgements by the caseworkers may have severe financial consequences for the social assistance recipients if these misjudgements result in a sanction.

In practice, it is not always clear who should be exempted from the rule and who should get an extension of the accrual period. As shown by the Danish Association of Social Workers (Dansk Socialrådgiverforening, 2017) and Christensen et al. (2020a), caseworkers often struggle with who to exempt, as official guidelines do not always provide sufficient guidance. The National Social Appeal's Board also signals that caseworkers tend to give exemptions when extensions would be more appropriate (Ankestyrelsen, 2018). Combined with the discretionary power of the caseworker, this lack of clarity may lead to large differences between caseworkers. An evaluation of an earlier version of the 225-hour rule (the 300-hour rule) shows that numerous social workers used their discretionary power to transition their clients to alternative benefit programmes rather than implementing sanctions (Diop-Christensen, 2015).

3.6.4. Increased understanding that the risk of sanctions could improve employment effects

Understanding of the incentives built into the 225-hour rule is crucial for the policy to have an effect. If social assistance recipients do not understand that they should work at least 225 hours to avoid being sanctioned, they cannot react rationally to the incentives of the rule, i.e. they will not start working to avoid the sanction (Cairo & Mahlstedt, 2021; Ydelseskommissionen, 2021).

According to a survey conducted by Mploy (2018), the majority of social assistance recipients believe they know what they need to do to fulfil the 225-hour requirement. Around 33 per cent state that they know to a great extent how to avoid having their benefit reduced as a result of the 225-hour rule, while 22 per cent know to some extent how to avoid a sanction.

However, this also means that 45 per cent do not know how to avoid getting sanctioned because of the 225-hour rule, which likely relates to the complexity and lack of personalised information regarding the rule. According to a focus audit initiated by the Ministry of Employment, there is considerable complexity in the stipulations of the 225-hour rule, caused by the possibility of exemptions and extensions (BDO, 2023). Furthermore, individuals covered by the 225-hour rule have very little access to personalised information regarding their risk of being sanctioned (Cairo & Mahlstedt, 2021). This makes it more difficult for them to understand what is required of them to prevent a sanction.

¹⁷ The so-called benefit cap.

An increased understanding of the 225-hour rule and the real-time risk of being sanctioned may increase the effectiveness of the policy. As shown in the previous paragraphs, there is room for improvement regarding people's understanding of the risk of being sanctioned by the 225-hour rule. Using a randomised controlled trial, Cairo and Mahlstedt (2021) demonstrate the simple online platform where social assistance recipients can access personalised information regarding their working hours and the risk of being sanctioned. This already increases the employment effects of the 225-hour rule by about 5 per cent, and decreases the probability of getting sanctioned by about 5 per cent after one year.

3.6.5. High administrative burden and personnel effort, leading to errors

The 225-hour rule requires extensive administration. Christensen et al. (2020b) argue that the 225-hour rule significantly increases the administrative burden for caseworkers. Caseworkers are required to decide whether someone should be exempted from the 225-hour rule or not, and provide the necessary documentation for this decision. There is no standardised format for this decision. Furthermore, social assistance recipients should be monitored continuously, to alter the exemption decision if necessary (BDO, 2023).

BDO (2023) shows that municipalities have difficulty keeping up with the administrative burden of the 225-hour rule, leading to administrative errors and corresponding negative consequences for the social assistance recipients. BDO has found administrative errors, such as missing registrations, missing notifications of benefit sanctions and failures to monitor social assistance recipients continuously. Consequently, social assistance recipients were not aware that their benefits would be reduced or that their exemption had expired.

3.6.6. Explicit focus on work

The 225-hour rule helps caseworkers in their guidance of social assistance recipients, as it makes the focus on work explicit (Christensen et al., 2020a; Mploy, 2018). Through explaining the working and effects of the 225-hour rule, caseworkers are better able to communicate the benefits of finding work. Furthermore, caseworkers tend to find that the 225-hour rule can be used as a motivational factor for the social assistance recipients (Mploy, 2018).

3.6.7. Conclusion

The 225-hour rule dictates that social assistance recipients in Denmark who have received social assistance for one year or more within a three-year period, must have worked at least 225 hours in ordinary, unsubsidised employment during the previous 12 months if they wish to retain full social assistance.

The 225-hour rule seems to improve labour market outcomes for social assistance recipients. The share of recipients who work more than 225 hours a year and the share of recipients with a job have increased after the implementation of the rule (Beskæftigelsesministeriet, 2019; Dansk Arbejdsgiverforening, 2020; Finansministeriet, 2019). Furthermore, the exit rate from social assistance to employment or education has increased (Beskæftigelsesministeriet, 2018; Finansministeriet, 2019).

Moreover, individuals who cannot comply with the 225-hour rule due to, for example, health reasons, can be exempted from the rule or the accrual period of 12 months can be extended. This gives the municipality's caseworkers some room for taking into account the personal circumstances of the social assistance recipient and increases targeting of the 225-hour rule.

Caseworkers are positive about the 225-hour rule, because it helps them in their guidance of social assistance recipients (Christensen et al., 2020a; Mploy, 2018). The 225-hour rule makes the focus on work explicit. Through explaining the working and effects of the 225-hour rule, caseworkers are better able to communicate the benefits of finding work.

However, the 225-hour rule also has several downsides. First, it worsens the financial situation of those who are sanctioned. This is the case for about 12 per cent of all social assistance recipients (STAR, 2019b). Second, accurate granting of exemptions and extensions is crucial for a targeted rule. This makes the system vulnerable. In practice, caseworkers find it difficult to determine who to give an exemption to, as official guidelines do not always provide sufficient guidance. Third, the extensive administration that is required by the 225-hour rule increases the administrative burden for caseworkers. Finally, due to the complexity of the rule and a lack of personalised and real-time information on the risk of being sanctioned, a significant share of social assistance recipients is not aware of how to prevent being sanctioned. An increased understanding of the risk of sanctions could improve employment effects (Cairo & Mahlstedt, 2021).

Table 6.1: Strong and weak aspects of the 225-hour rule in Denmark

Strong aspects	Room for improvement / Weak aspects
Improved labour market outcomes for social assistance recipients:	Worse financial position for non-compliers.
<ul style="list-style-type: none"> • Increased share who work more than 225 hours a year. 	System vulnerability because of dependence on correct granting of exemptions, which proves to be difficult.
<ul style="list-style-type: none"> • Increased share with a job. 	Implementation (a.o. correct granting of exemptions) requires a lot of administrative and personnel effort.
<ul style="list-style-type: none"> • Increased exit rate from social assistance to education or employment. 	Social assistance recipients find it difficult to prevent sanctions, due to complexity and lack of personalized information.
Targeted incentives due to exemptions for those who cannot comply.	
Caseworkers are positive about the explicit focus on work.	

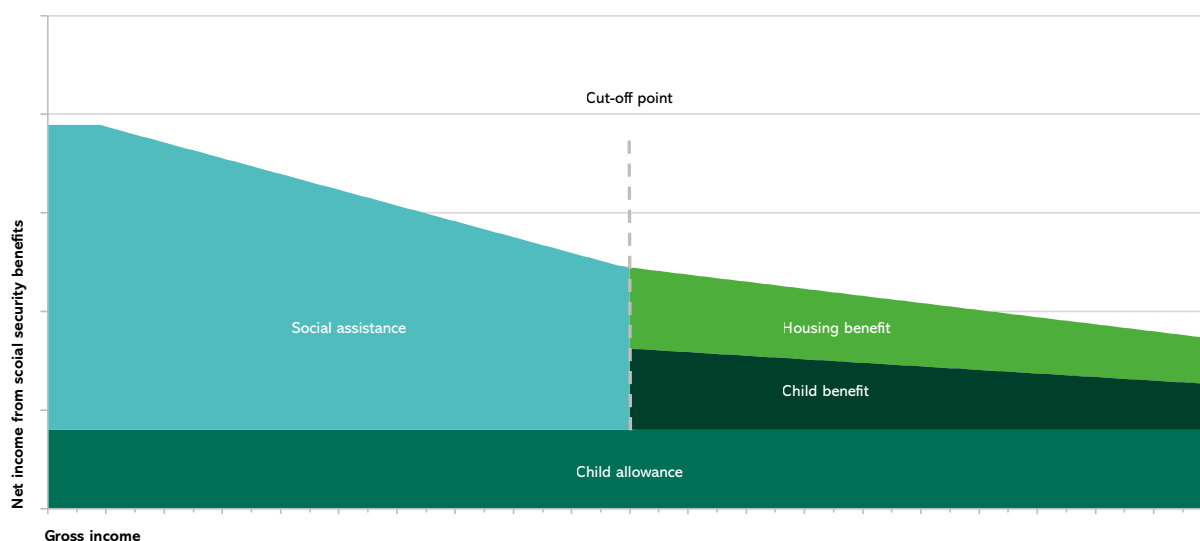
3.7. CASE 3: SEPARATION BETWEEN SOCIAL ASSISTANCE AND BENEFITS IN GERMANY

In Germany, social assistance on the one hand and housing and child benefits on the other, are mutually exclusive. This allows for better targeting of reintegration resources, as only households with the lowest incomes receive social assistance. Moreover, the lowest-income households only need to go through one application process to receive all available income support. However, the mutual exclusiveness requires a decision on whether to receive social assistance or benefits, which can lead to non-optimal use and income uncertainty.

In Germany, social assistance (*Bürgergeld*) on the one hand and housing benefits (*Wohngeld*) and child benefits (*Kinderzuschlag*) on the other, are mutually exclusive. Households receiving social assistance are not eligible for housing and child benefits, and households receiving housing or child benefits cannot receive social assistance (see Figure 7.1 for an illustration). The objective of making child benefits and social assistance mutually exclusive was to reduce the number of households that is dependent on social assistance (Fourth Law for Modern Services on the Labour Market ('Hartz IV')). This is an automatic consequence of the separation, because above the cut-off point households are no longer dependent on social assistance. Social assistance is granted to those with very low or zero income, who therefore would fall below the minimum subsistence level without social assistance. Housing and child benefits are targeted at households with low incomes, but above a minimum income threshold. This minimum income threshold results in a cut-off income level, above which it is optimal for a household to apply for housing and/or child benefits. Below this cut-off point, it is optimal for a household to receive social assistance. The amount of social assistance depends on the housing costs and the number of children in the household, so that the income from social assistance will cover all necessary living expenses.

This case study outlines the effects of the mutual exclusiveness of social assistance, and housing and child benefits in Germany. The first subsection evaluates the advantage of reducing the social assistance usage in this manner. Subsequent subsections describe the effects of the mutually exclusive benefits on the application procedures, take-up, income stability and administrative processes.

Figure 7.1: Social assistance, and housing and child benefits are mutually exclusive in Germany



Source: SEO Amsterdam Economics.

Note: This is an illustration of the net income from social security benefits that a household with children receives in Germany. If the gross income increases, social assistance will decrease until the cut-off point above which it is more advantageous to receive housing and child benefits.

3.7.1. Targeted reintegration policies

The fact that social assistance and housing and child benefits are mutually exclusive enables Jobcenters to focus on a smaller and potentially more vulnerable group for reintegration. This ensures better targeting of reintegration efforts, because only households with higher reintegration needs, those with close to zero income, qualify for social assistance¹⁸. Jobcenters are responsible for monitoring reintegration efforts and providing programmes to facilitate a return to employment. Targeting reintegration programmes at those who will likely need them the most, ensures efficient utilisation of resources. Recipients of housing and child benefits appear to require less assistance in finding new or additional employment as roughly 50 per cent of the recipients end the spell of benefits within three months and only 15 per cent need it for more than a year (Böhmer & Steiner, 2008).

3.7.2. One application process, except around the cut-off point

Social assistance applicants receive their entire income and all services from a single source after a single application (Der Tagesspiegel, 2005). On approval for social assistance, applicants avoid the complexity of navigating through different benefit options, as they directly receive the allocated amounts for housing and children within the social assistance framework. This reduces the need for complex decision-making and reduces the administrative burden for recipients of social assistance.

However, in cases where the applicant's income is around the cut-off point, the mutual exclusiveness can result in increased expenses and efforts during the application process for both the Jobcenter and the applicant. This is because social assistance, housing benefits and child benefits are all organised by different social security agencies. The Jobcenter must provide guidance on whether social assistance, or housing and child benefits better suit the specific circumstances of the household. This guidance increases the workload of the Jobcenter (further details are given in Section 7.6). For the applicants, efforts increase as they may have to transition from the Jobcenter and reapply to different social security agencies (*Wohngeldamt* and *Familienkasse*) for housing and child benefits if these appear more suitable than social assistance. Additionally, if the household's income changes the applicant may need to switch back and forth between types of assistance and consequently, between social security agencies. This can lead to the so-called revolving door effect between social assistance, and housing and child benefits (Bruckmeier et al., 2018).

3.7.3. Low take-up rates due to lack of knowledge

Even though individuals can receive guidance on selecting benefits that align with their needs, possessing some knowledge about the social security system remains essential for take-up-rates. First, individuals should be aware of the existence of social assistance, housing benefits and child benefits. Without this awareness, they may not realise that they are eligible and thus they will not apply. General awareness is essential in any social security system and not only inherent to this system. Second, to a certain extent they need to understand the distinctions between the different schemes to avoid refraining from applying, and directly applying for the optimal scheme. This latter type of knowledge is not required in social security systems where benefits are not mutually exclusive.

In Germany, there is a general lack of knowledge about housing benefits and child benefits. In 2010, only 19 per cent knew about housing benefits and 16 per cent about child benefits (Haumann, 2014). However, knowledge about housing and child benefits appears to be increasing. In 2019, approximately 53 per cent of individuals indicated to have sufficient knowledge about child benefits (Institut für Demoskopie Allensbach, 2019). This corresponds to the results of a survey of families participating in a project, where 58 per cent of the respondents indicated that they were aware of child benefits before receiving advice (Jackwerth-Rice, 2022). Despite the increase in awareness about housing and child benefits, a large percentage of the population remains unaware.

Beyond the lack of knowledge regarding housing and child benefits, there is also confusion regarding the application and acceptance requirements for social assistance and housing benefits. Many recipients mistakenly believe that applying for housing benefits involves disclosing detailed financial information to the authorities and that acceptance might lead to mandatory subletting or moving. However, applying for housing benefits does not require sharing as much financial information as is necessary for social assistance, and mandatory subletting or relocation can also only occur within the context of social assistance (Zeit Online, 2019). The lack of general knowledge and confusion are main contributors to high non-take-up rates for housing and child benefits (see Figure 7.2)¹⁹. High non-take-up rates lead to lower income levels for households that are eligible for income support.

¹⁸ To illustrate, in Germany a household (two adults (40 years), two children (4 and 6 years), where the first adult works 30% of full-time and the second adult 0% of full-time) can receive social assistance of up to 65 per cent of the average gross wage of the first adult, whereas in the Netherlands eligibility extends to 90 per cent of the average gross wage of the first adult.

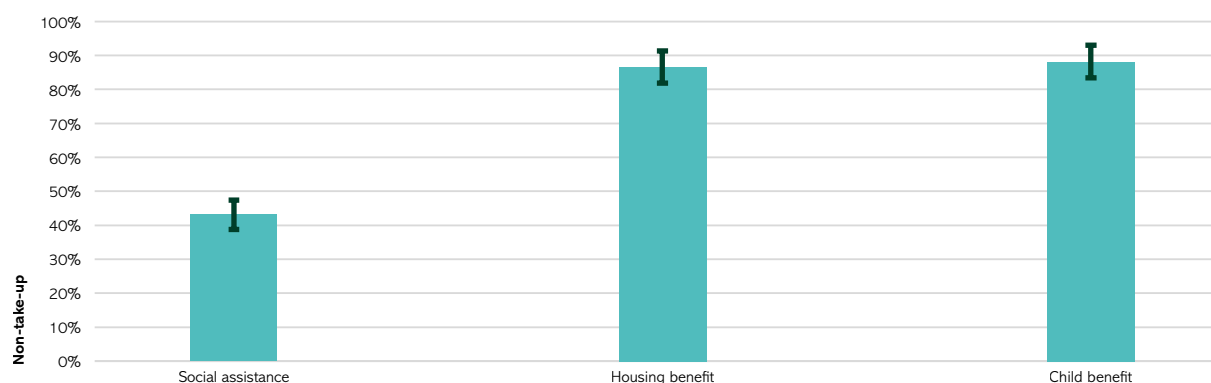
¹⁹ It has to be noted that simulation models for these benefits have significant error margins, as multiple claims need to be simulated simultaneously.

3.7.4. Non-optimal use of benefits results in less effective income support

The mutual exclusiveness can also contribute to receiving the non-optimal benefit scheme, which results in less effective income support as households do not receive the support targeted at them. The mutual exclusiveness can lead to using the non-optimal benefit scheme due to a lack of switching or an initial non-optimal application. Additionally, the lack of knowledge likely increases the instances in which households receive less-than-optimal benefits. Even though exact numbers of households in the non-optimal scheme are not directly available, they can be inferred from the non-take-up study conducted by Bruckmeier and Wiemers (2018). The non-take-up in this study is calculated based on the optimal choice of assistance from a monetary point of view and should therefore be corrected for households receiving the non-optimal assistance. Among the households not taking up social assistance, 7.9 per cent receive housing benefits and 0.6 receive child benefits. Conversely, among households not taking up housing and child benefits, 9.1 and 14.3 per cent receive social assistance, respectively. This implies that from a monetary point of view, households are quite often in the non-optimal assistance programme.

However, opting for housing and/or child benefits over social assistance, even when the latter offers a higher benefit amount, could be a strategic decision to minimise activation requirements. A vignette study (IfD, 2012) reveals that respondents express a preference for housing and child benefits over social assistance, even if it means a lower income. This preference arises from the fact that housing and child benefits do not come with activation requirements (Böhmer & Steiner, 2008). Therefore, housing and child benefits can be more attractive than social assistance from a non-monetary perspective. In addition to the monetary impact of benefit utilisation, households must also consider the overall advantage of the benefits. This includes aspects such as access to active labour market policy measures and support for employment integration in the household, versus a higher sense of stigmatisation when receiving social assistance (Bruckmeier et al., 2019a).

Figure 7.2: Very high non-take-up rate of housing and child benefits.



Source: Bruckmeier and Wiemers, 2018.

Note: The bars are the non-take-up rates for social assistance, housing benefit and child benefit. The black lines indicate the 95% confidence interval.

3.7.5. Income uncertainty around the cut-off point

Due to the minimum income threshold for housing and child benefits, minor negative fluctuations in income can result in the loss of eligibility for housing and child benefits and lead to a 'double' setback in income. A reliable and predictable income is required to enhance household stability (Gennetian et al., 2021). Therefore, an additional setback by losing eligibility for benefits during temporary decreases in income can worsen the household situation.

There is no data available that indicate how many households experience a double setback and how often they do so, but Bruckmeier et al. (2019a) acknowledge instances where transitions from housing benefit to social assistance have occurred. The interfaces between social assistance, and housing and child benefits, are especially challenging due to high employment dynamics within lower-income households (Bruckmeier et al., 2019a). Immediate and sustainable labour market integration is often not achieved (Bruckmeier et al., 2019b). Consequently, households may find themselves compelled to switch between different forms of social security benefits during transitional phases in and out of the labour market. Other countries do not encounter this double setback since their systems are not mutually exclusive. For instance, Sweden also offers housing benefits within social assistance and another housing benefit scheme (see Chapter 9 for more information). However, the transition between those two housing benefit schemes is smoother than in Germany, so the households are not compelled to switch.

3.7.6. Administrative burden for implementing organisations

The existence of mutual exclusiveness within the social security system where schemes have similar goals, as both social assistance, and housing and child benefits pursue the same social policy goal of providing low-income households with adequate income, results in duplication of administrative structures (diseconomies of scope). This is true especially since the benefits are administered by different organisations. For instance, when a household applies for social assistance, the Jobcenter initially reviews the documents to determine whether the household should actually receive social assistance, or housing and child benefits. Subsequently, if the Jobcenter advises that housing and child benefits are the better option, the *Wohngeldamt* and *Familienkasse* have to check similar documents again.

These organisations (Jobcenter, *Wohngeldamt* and *Familienkasse*) operate independently, but their interdependence becomes apparent by the impact that reforms in one scheme have on the other schemes (Bruckmeier and Wiemers 2015, Voigtländer et al., 2016). Changes in one of the schemes result in changes to the trade-off point for the other schemes, thereby impacting the expected number of households in all schemes. These changes in the trade-off point occur frequently and are complex due to different timing and indexes used for adjusting the amounts of social assistance and housing benefits. For example, social assistance undergoes annual indexation and housing benefits experience irregular adjustments at multi-year intervals.

3.7.7. Conclusion

The mutual exclusiveness of social assistance, and housing and child benefits in the German social security system is characterised by two main, strong aspects (see Table 7.1). First, due to the cut-off point between social assistance and housing and child benefits, fewer households receive social assistance. Therefore, reintegration programmes by the Jobcenter exclusively target households with near zero income levels. This ensures the effective allocation of reintegration resources to those who are less self-sufficient on average, which minimises deadweight loss. Second, there is no complex navigation through social benefits for households with near zero income levels, as social assistance is the only benefit applicable at this income level.

On the other hand, the current form of implementation of mutual exclusiveness in the social security system has five weak aspects (see Table 7.1). First, households may experience a higher administrative burden. For households with an income around the cut-off point it is challenging to determine which benefits are most suitable. This potentially leads them to initially apply for social assistance only to discover later (after getting advice) the need to switch to housing and/or child benefits (or the other way round). This results in additional application processes for the household. Second, social security agencies also face a higher administrative burden due to households switching between benefit schemes. Switching requires additional application verifications by social security agencies, resulting in increased administration costs due to diseconomies of scope. Third, households (with an income around the cut-off point) might use the non-optimal benefit from a financial point of view, due to a lack of switching, initial non-optimal applying or a lack of knowledge. This leads to less effective income support as those households do not use the support scheme targeted at them. Fourth, households that currently use housing and child benefits and have income levels near the cut-off point face income uncertainty. If these households experience a decrease in work income, they might lose eligibility for those benefits and consequently face a double negative income shock if they do not apply for social assistance in time. Fifth, the take-up rates for social assistance, and housing benefit and child benefit are relatively low in Germany. This is partly due to a general lack of knowledge, which is not inherent to the German system. Nevertheless, due to the mutual exclusiveness, households also need to understand the differences to apply for the appropriate scheme and avoid confusion regarding their obligations under each scheme.

Table 7.1: Strong and weak aspects of the mutual exclusiveness of social assistance, and housing and child benefits in Germany

Strong aspects	Room for improvement / Weak aspects
Reintegration policies targeted at the lowest-income groups, so less deadweight loss because higher income groups are more self-sufficient on average.	Administrative burden for households due to switching between benefit schemes, especially for households with income around the cut-off point.
No complex navigation through different benefits for households with near zero income.	Administrative burden for implementing organisations due to households switching between benefit schemes.
	Non-optimal use of benefits results in less effective income support.
	Income uncertainty around the cut-off point for households using housing and child benefits.
	Low take-up rates due to a lack of knowledge and understanding about the difference between social assistance and housing and child benefits.

3.8. CASE 4: REFUNDABLE FAMILY TAX CREDITS IN NEW ZEALAND

In New Zealand, all family benefits are paid through the tax system as refundable tax credits. This improves take-up rates and reduces the need for information sharing between agencies as the tax office already possesses household income data. On the other hand, repayments are still an issue as many households apply to get the payments on a regular basis instead of at the end of the tax year.

In New Zealand, family benefits are paid through a tax scheme collectively known as the Working for Families Tax Credits. In 2002, New Zealand made the decision to pursue a set of policy goals – improving the take-up of assistance, making work pay and reducing poverty – through the tax system. The Working for Families legislation was enacted in 2004 and completely phased in by 2008. Each year from 2004 to 2008, a specific phase was implemented to fully enact the Working for Families legislation. The Working for Families Tax Credits consist of four types: the Family Tax Credit, the In-Work Tax Credit, the Minimum Family Tax Credit and the Best Start Tax Credit (see Section 3.2.8.5 for more details). The Family Tax Credit is determined by the household income, the number of children and the ages of children. This tax credit closely resembles the concept of child benefits in other countries. Therefore, New Zealand is rare in distributing a child benefit through the fiscal system. Hence, the Family Tax Credit will be the main focus of this case study.

The Family Tax Credit is a refundable tax credit that requires application by the household, whereby the application process differs based on the preferred frequency of payments. The Family Tax Credit can either be paid weekly, fortnightly or as a lump sum after the end of the fiscal year. If a household wishes to receive the Family Tax Credit as a weekly or fortnightly payment, it needs to register in myIR with Inland Revenue and autonomously estimate the household income for that fiscal year. This can lead to refunds or repayments at the end of the fiscal year (see more in Section 5.4.4). If a household wishes to receive the Family Tax Credit as a lump sum, it will have to specify a tax code when filing taxes at the end of the fiscal year. Inland Revenue will then calculate the Family Tax Credit based on actual income and pay it as a lump sum.

This case study aims to investigate if the policy goals of improving take-up rates and making work pay²⁰ are achieved alongside other advantages and disadvantages of organising family benefits within the tax system. The first subsection will discuss the results on increasing take-up rates, and the second subsection the results on making work pay. Thereafter, the effects on the implementing agencies, the repayment structure and the experience of households are discussed.

3.8.1. High take-up rates

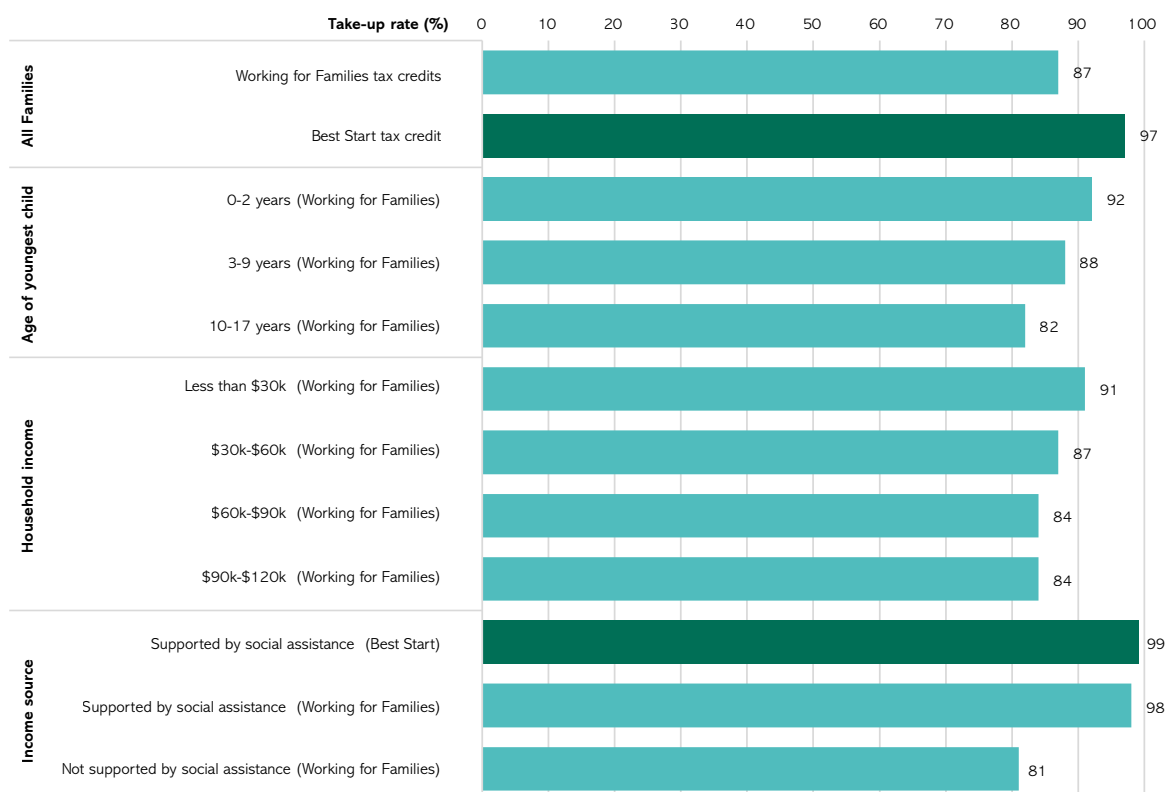
The main advantage of organising family benefits through the tax system is the achievement of high take-up rates. This can only be achieved through the tax system because of the streamlined, time-efficient administration and straight-forward application processes during tax filing. Furthermore, there is widespread awareness of applying for tax credits when filing taxes (Ministry of Social Development., 2022a). Stigmatising might also be felt less strongly if benefits are operated through the fiscal system (Ko & Moffitt, 2022). Moreover, households are receiving social assistance benefit from automated procedures, eliminating the need to apply for tax credits during the tax filing process (Ministry of Social Development, 2022a). It is worth mentioning that the group of social assistance recipients encompasses more households than in other nations, as it also includes households receiving unemployment benefits (see Section 3.2.8.1). Additionally, as of the tax year 2020–2021, Inland Revenue also automatically calculates the tax returns for households that only earn wage income.

The average take-up rates for all four types of tax credit within Working for Families Tax Credits were estimated to be around 90 per cent in 2019–2020 (Ministry of Social Development, 2022a). It can be expected that the take-up rates will increase even further with the introduction of automatic tax calculation for households with only wage income. Furthermore, it is anticipated that the take-up rates will be even higher for the Family Tax Credit and Best Start Tax Credit compared to the In-Work Tax Credit and Minimum Family Tax Credit (The Welfare Expert Advisory Group, 2018). This means that the take-up rate of the Family Tax Credit and the Best Start Tax Credit are presumed to be above 90 per cent. Although there is no specific evaluation for the Family Tax Credit, the take-up rate of the Best Start Tax Credit is notably higher as it is estimated at 97 per cent (Ministry of Social Development, 2022b).

²⁰ The policy goal of reducing poverty is not further evaluated, because poverty reduction is generally an overarching policy goal. This policy goal is achieved through improved take-up rates and higher benefit amounts.

The take-up rates of Working for Families Tax Credits are especially high for households with young children, households with low income and households that receive social assistance²¹, compared to the overall take-up rates for all families (see Figure 8.1). The take-up rates among households with young children are higher due to the automated reminder and higher awareness after the application for the Best Start Tax Credit²². The Best Start Tax Credit was introduced in 2018, which means that only parents with young children (up to two years old in 2020) could so far benefit from this automated reminder. Therefore, it is expected that in the future the take-up rates of the other Working for Families Tax Credits will increase further (Ministry of Social Development, 2022b). Households receiving social assistance experience higher take-up rates, because if they receive social assistance they will in general automatically receive the Family Tax Credit in addition to the social assistance payment (Inland Revenue, 2021).

Figure 8.1: High take-up rates of Working for Families Tax Credits, specifically the Best Start Tax Credit.



Source: Ministry of Social Development, 2022a and 2022b.

3.8.2. High operational efficiency

An additional benefit of organising family benefits within the tax system is the streamlining of administrative processes through the utilisation of a single implementing organisation that already possess income data. In New Zealand, this task is carried out by the tax agency, Inland Revenue. By organising family benefits at Inland Revenue, the system minimises bureaucratic expenses associated with the exchange of information across multiple agencies. Consequently, this approach facilitates a more seamless and cost-effective management of financial government resources.

Prior to the introduction of the Working for Families Tax Credits, Inland Revenue in New Zealand functioned as more than just a tax agency already, which likely facilitated the integration of Working for Families. Besides its core responsibility of tax collection, Inland Revenue was also involved in the distribution of child support and the administration of student loans. Therefore, it had already experience with transferring funds to a large number of individuals.

²⁰ The social assistance schemes are Jobseeker Support, Sole Parent Support and Youth Payment. See Section 2.8.1 for more information about the social assistance schemes.

²¹ The Best Start Tax Credit is an income-independent tax credit until the child's first birthday. The awareness of the Best Start Tax Credit is high and application is easy when registering the birth of a child. Hence, almost all parents apply for the Best Start Tax Credit. The application for the Best Start Tax Credit may raise awareness of other Working for Families Tax Credits, leading parents who would otherwise not have done so, to apply for those tax credits as well. Furthermore, after application for the Best Start Tax Credit, parents receive automatic invitations to reapply for Working for Families Tax Credits in the following years.

3.8.3. Making work pay

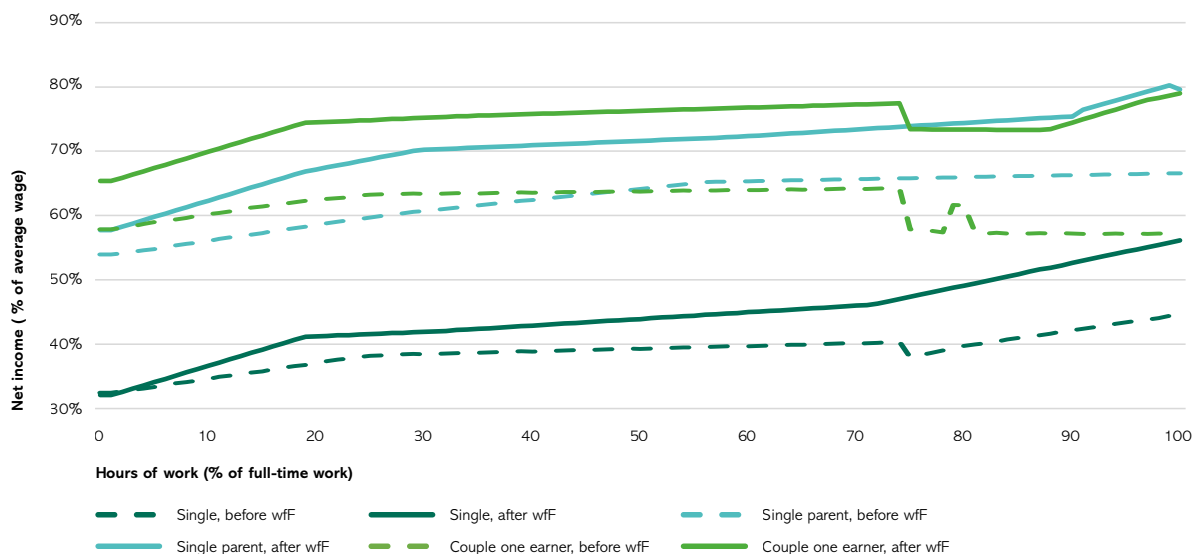
One of the policy goals of organising the family benefits through the tax system was to make work pay. However, it is important to note that this is not inherent to this specific system. In any social security system it is possible to structure tax rates and benefit reduction rates in such a manner that working more is financially rewarding. Even though not inherent to the system, this policy objective was achieved for the majority of households and can therefore be a source of inspiration to other countries.

Figures 8.2 and 8.3 aim to graphically illustrate the work incentives. The figures show the net income for various hours of work per week for different family types before and after the introduction of Working for Families. The dotted lines depict the situation before Working for Families and the solid lines depict the situation after Working for Families. The rise in levels at zero hours of work per week, between the dotted lines and solid lines, is primarily a result of increased benefits over the years. The increase in steepness between the dotted lines and solid lines indicates that taking up employment has become relatively more financially rewarding since the introduction of Working for Families. The steeper the positive slope of the line, the greater the increase in net income gained from an additional hour of work, indicating a high work incentive. Conversely, if the line remains flat or has a negative slope, it signifies no gain or even a loss in net income when working more hours.

The introduction of Working for Families has enhanced incentives for unemployed families who currently receive benefits to secure employment, as depicted in Figure 8.2. By contrasting the solid lines (after the introduction of Working for Families) with the dotted lines (before the introduction of Working for Families), it is evident that not only have the starting levels at zero working hours risen, but also the slope for the initial working hours has become steeper. This implies an increased work incentive (Johnson, 2005). It should be noted that while incentives have risen, the absolute incentive remains relatively weak at certain numbers of working hours. This is the case at points where the slopes are almost flat or even declining.

The labour incentives for single parents have also increased (Johnson, 2005). Prior to the implementation of Working for Families, the income of a full-time working single parent earning the minimum wage was only slightly higher than that of a non-working single parent. The difference was only 13 percentage points. This was due to high marginal tax rates, meaning that the combined impact of increased income taxes and reduced benefits largely offset the additional income gain for each additional dollar earned. The introduction of Working for Families changed this, leading to a decrease in marginal tax rates (Johnson, 2005). Now the difference between a full-time working single parent earning the minimum wage and a non-working single parent is 21 percentage points. In particular, the transition from no work to part-time work (30 per cent of full-time) is rewarded, as seen by the steep slope of the solid light blue line compared to the dotted light blue line in Figure 8.2. This increased financial incentive to work has resulted in an estimated increase in the labour supply of single parents by an average of 0.6 hours per week and an increase in labour force participation of single parents by 1.7 percentage points (Mok & Mercante, 2014). This rise in labour force participation implies that approximately 3,000 single parents have entered the labour market.

Figure 8.2: Increased work incentives for unemployed, single parents and one-earner couples

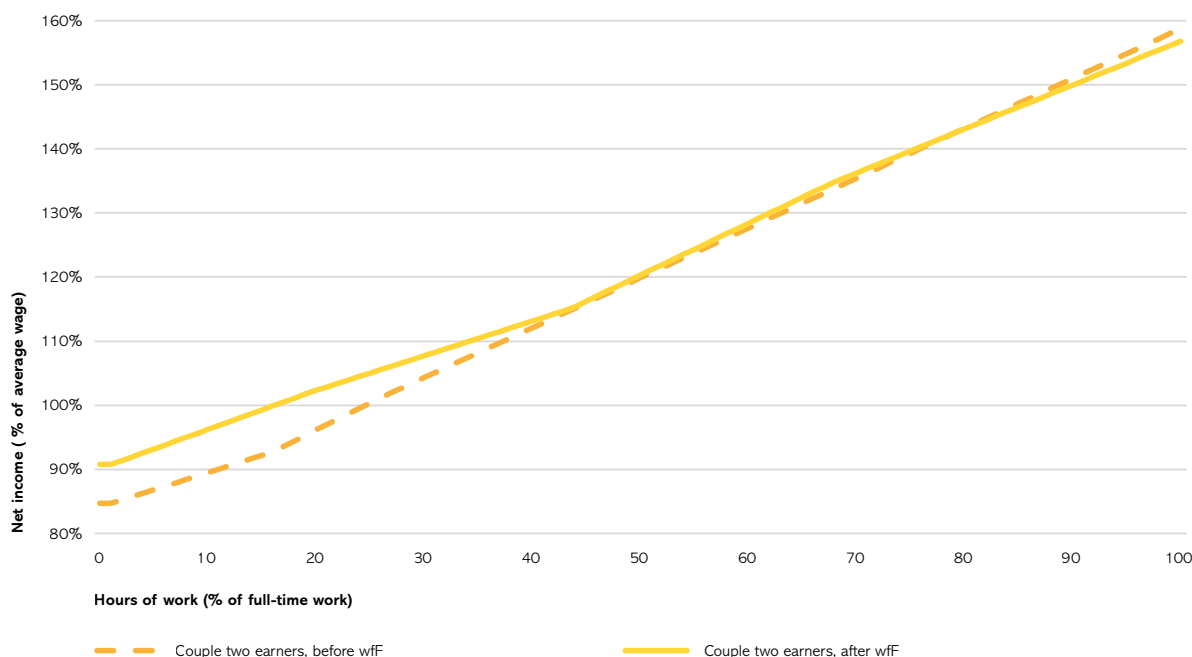


Source: OECD, 2023

Note: The dotted lines represent the situation in 2002, before the introduction of Working for Families (WfF), and the solid lines the situation in 2023, after the introduction of WfF. Net income on the vertical axis is given as a percentage of the average wage. However, this is just a scalar effect. Average wage is measured as the annual average wage among full-time employees in sectors B to N of the International Standard Industrial Classification of economic activities. Hours of work on the horizontal axis is given as a percentage of full-time work at the statutory minimum wage. The OECD Tax Benefit calculator does not explicitly define the number of full-time working hours. However, the underlying wage data for full-time employees is based on country-specific definitions of full-time working hours and thus implicitly assumes these working hours in the calculations. The adults are 40 years old, and the children are 4 and 6 years old. If eligible, the households receive social assistance, housing benefits, in-work benefits and family benefits. The annual housing cost is set at 20 per cent of the average wage.

On the other hand, the labour market incentives for married couples did not show improvement (Johnson, 2005). In Figure 8.3 it is evident that the steepness of the slope after the introduction of Working for Families decreased compared to the situation before its introduction, specifically in the range of working 0 to 40 per cent of full-time. This implies that working more hours is financially less rewarding. Working for Families has created higher marginal tax rates for the second earner of a working couple compared to the previous situation. Therefore, some two-earner couple households will transition into single-earner couple households. This has resulted in an estimated decrease in the labour supply of married men and women by an average of 0.1 and 0.5 hours per week, respectively (Mok & Mercante, 2014). Furthermore, the reduction in the labour force participation of married women is approximately 1.2 percentage points (Mok & Mercante, 2014), equivalent to around 9,000 married women leaving the labour market.

Figure 8.3: Decreased work incentives for two-earner couples



Source: OECD, 2023

Note: The dotted line represents the situation in 2002, before the introduction of Working for Families (WfF), and the solid line the situation in 2023, after the introduction of WfF. Net income on the vertical axis is given as a percentage of the average wage. However, this is just a scalar effect. Average wage is measured as the annual average wage among full-time employees in sectors B to N of the International Standard Industrial Classification of economic activities. Hours of work on the horizontal axis is given as a percentage of full-time work at the average wage. The OECD Tax-Ben calculator does not explicitly define the number of full-time working hours. However, the underlying wage data for full-time employees (average wages) is based on country-specific definitions of full-time working hours and thus implicitly assumes these working hours in the calculations. The hourly wage rate is set at 100 per cent of the average wage for both adults in the couple. The earner in the couple who is not graphed, works full-time. The adults are 40 years old and the children are 4 and 6 years old. If eligible, the households receive social assistance, housing benefits, in-work benefits and family benefits. The annual housing cost is set at 20 per cent of the average wage.

3.8.4. Repayment and debt still a problem

Structuring family benefits within the tax system does not solve issues regarding repayment. Repayments can only be avoided with certainty if households choose to receive Family Tax Credit as a lump sum based on their actual income at the end of the fiscal year. However, many households need more regular payments to cover their daily expenses, leading them to choose weekly or fortnightly payments based on their estimated income. Inland Revenue attempts to assist in this estimate by pre-filling known current and past income information. Nevertheless, the Family Tax Credit is determined based on the yearly household income, making current and past individual income information insufficient for a correct estimate. While it is possible to grant a partner access to Working for Families information on myIR to update the household income, the issue of estimating the yearly income remains. Accurately estimating the yearly income requires the household to anticipate changes in income. As a result, households often inaccurately estimate their yearly income, which leads to refunds or repayments at the end of the fiscal year.

Many New Zealanders experience repayment challenges due to overpaid Working for Family Tax Credits, leading to indebtedness when they are unable to repay in time. In 2023, the collective debt regarding Working for Family Tax Credits amounted to NZD 240–250 million owed by over 50,000 individuals (roughly 1–2 per cent of the population between 15 and 65 years old), with a median debt owed per individual of approximately NZD 2,300²³. An individual's debt can increase further due to penalties and interest payments.

²³ For more information, see: <https://www.nzherald.co.nz/nz/politics/fundamental-changes-to-tax-credit-system-could-lift-incomes-of-350000-families-in-working-for-families-review/UGDZFI3XWZCX3JKUCNWWKSEXY/>
<https://www.stuff.co.nz/business/money/300970284/more-than-50000-people-with-working-for-families-debt>

The possibility of repayment and debt negatively impacts households, especially those with low incomes for whom lump sum payments are not feasible and repayments are more difficult. A survey conducted for the review of Working for Families highlighted that repayment debts were stressful and created significant issues for households (Ministry of Social Development, 2022c). The fear of getting into debt also influenced work incentives, as households worry that increased income will cause overpayment of Working for Family Tax Credits and subsequent debt. It is perceived that the Working for Families system penalises individuals for taking on more work, given the difficulty of accurately estimating income for the entire year in advance. Expecting households to predict how changes in income will affect entitlements is considered unfair. Moreover, the constant adjustment of income and concerns about whether the household has received the correct amount of Working for Families Tax Credits are seen as degrading and exhausting (Ministry of Social Development, 2022c).

3.8.5. Experience of households with the tax system

Compared to many other developed countries, the New Zealand tax system is relatively simple, coherent and transparent (Sawyer, 2016), which makes it possible to organise family benefits within the tax system. The tax system has relatively few deductions, exemptions or credits, especially before the introduction of Working for Families (Johnson, 2005). The number of active personal income taxpayers as a percentage of the population is relatively high in New Zealand compared to other advanced and emerging economies. For instance, in New Zealand 78 per cent of the population are active personal income taxpayers compared to 72 per cent in the Netherlands. Furthermore, in New Zealand tax filing is done automatically for households on social assistance and unemployment benefits, and for households with only wage income.

Even though the tax system is rather simple, some households still experience the current system as complex to navigate. This complexity arises from the need to separately apply for multiple tax credits during the filing process, which leads to confusion. Furthermore, the interconnectedness of various tax credits complicates the understanding of an individual's entitlements. Some households are also unaware of their eligibility and fail to apply for some (or all) tax credits (Ministry of Social Development, 2022c). Moreover, the system is not designed for weekly and fortnightly payments to diverse family types with changing incomes and circumstances. Hence, households still have to update information themselves if they want to receive weekly or fortnightly payments. The timing for notifying Inland Revenue of changes in income or circumstances poses a challenge for some households (Ministry of Social Development, 2022c).

3.8.6. Conclusion

The Working for Family Tax Credits, particularly the Family Tax Credit in New Zealand's social security system are characterised by two main, strong aspects (see Table 8.1). First, the take-up rates of the Family Tax Credit are high, due to straightforward and relatively simple tax filing procedures. Furthermore, for households using unemployment or social assistance benefits and for households with only wage income the tax filing is done automatically. Additionally, the stigma associated with seeking income support might be felt less strongly when integrated into the tax filing process, because it is an obligation for everyone to file taxes. Second, only a single institution is involved for all types of Working for Family Tax Credits. This institution already possesses income data, which minimises bureaucratic expenses associated with the exchange of information across multiple agencies.

The main drawback of Working for Family Tax Credits and the Family Tax Credit in particular is that income uncertainty still exists. The Family Tax Credit is still based on estimated household income if a household wants to receive weekly or fortnightly payments. This can result in repayments at the end of the fiscal year and subsequently in debt for households that are unable to make these repayments.

Table 8.1: Strong and weak aspects of organising family benefits through the tax system in New Zealand

Strong aspects	Room for improvement / Weak aspects
High take-up-rates: <ul style="list-style-type: none"> • Straightforward tax filing, automatic tax filing for social assistance recipients and households with only wage income. • Less of a stigma surrounding receiving benefits. 	Income uncertainty still exists if benefits are organised through tax system: <ul style="list-style-type: none"> • Households need the cash amount of family benefits weekly or biweekly and therefore still receive the benefits based on estimated income.
High operational efficiency: <ul style="list-style-type: none"> • Reduced information sharing as there is a single implementing organisation. 	

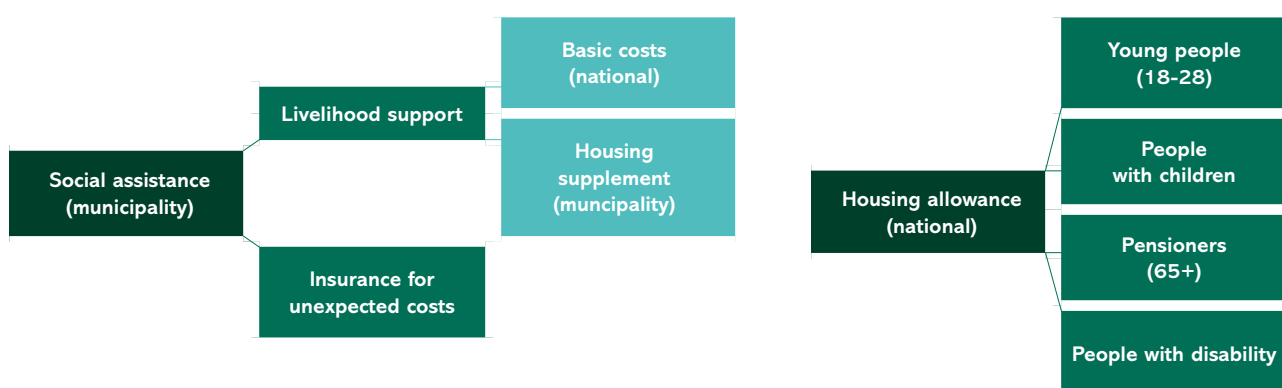
3.9. CASE 5: SOCIAL ASSISTANCE AND HOUSING BENEFITS IN SWEDEN

In Sweden, social assistance includes a housing supplement, which comes in addition to a regular housing allowance. Together they ensure full coverage of housing costs. This results in high benefit amounts compared to other countries. While these benefits lead to a rather smooth transition out of social assistance, they also diminish work incentives for social assistance recipients. Moreover, having two housing benefits creates a double administrative burden and makes the housing allowance an ineffective instrument for income support to social assistance recipients.

Social assistance in Sweden, also known as *ekonomiskt bistånd*, is financial support provided by the municipality to individuals or families who cannot support themselves. To be eligible for social assistance, households must have applied for all other entitled benefits prior to their application.

An interesting feature of Swedish social assistance is that it consists of multiple parts: a national norm covering basic costs, a housing supplement that is based on housing costs, and an additional part covering unexpected costs such as dental and health costs (see Figure 9.1). The basic costs and housing supplement together are called the livelihood support. The basic costs are set at the national level and consist of costs that are reasonably equal for everyone in the entire country. The housing supplement is determined by the municipality and consists of the actual housing costs (minus the amount of housing allowance that might already be received by the household, see next paragraph) and energy costs.

Figure 9.1: Social assistance in Sweden includes a regional-based housing supplement



Source: *Kunskapsguiden.se*.

Additionally, an income-tested housing allowance is granted at the national level, which is available to households with young people (aged 18–28), with children, with pensioners and with disabled people (see Figure 9.1). This housing allowance is accessible to low-income households, either in conjunction with social assistance or independently. Through the combination of a housing supplement and a housing allowance, the housing costs are covered in full for social assistance recipients (ESPN, 2015) for at least the first three months of social assistance dependency. After the first three months, a reassessment of the housing costs takes place, and may be followed by adjustments to the housing supplement or a requirement for the household to relocate.

The Swedish welfare system is characterised by a relatively few recipients and a low number of long-term recipients (see Table 3.3). A contributing factor to the low usage of social assistance in Sweden is the extensive provision of unemployment benefits (ESPN, 2015b). High non-take-up can also contribute to the relatively low usage of social assistance. Unfortunately, the most recent available reliable data on non-take-up of social assistance is from before large system reforms²⁴. Therefore, it is unclear whether non-take-up is still high (Gustafsson, 2002; ESPN, 2015).

²⁴ Tervola et al. (2023) find a non-take-up rate of 54 per cent of social assistance in Sweden. However, they acknowledge in their study that the data lack certain variables essential for simulating eligibility and they might not possess all the required knowledge on the relevant legislation.

Moreover, the average duration of social assistance is relatively short, because municipalities have a wide range of activation measures, an explicit focus on young adults and an integrated cooperation with public employment services (Bergmark et al., 2017).

This case study aims to investigate the advantages and disadvantages associated with the two housing benefits in Sweden. First, the transition out of social assistance will be discussed. Then, we will address the effects on incentives to find work, the administrative burden, the substitution between the two housing benefits and the housing market situation.

3.9.1. Income certainty when exiting social assistance

Another advantage of this system is that social assistance recipients receive extra income support for housing costs, without having to submit a new application once they exit social assistance. The housing supplement within social assistance offers additional income support for housing costs to social assistance recipients on top of the regular housing allowance. Once individuals exit social assistance, they lose the right to the housing supplement, but not to the housing allowance. Thus, they do not have to apply for any housing benefits when exiting social assistance. This makes for a more seamless transition out of social assistance, with higher income security, especially compared to a system such as in Germany, where housing benefits and social assistance are mutually exclusive (see Section 3.5.2.3 for more information about the German system).

3.9.2. Low financial incentive to start working

The relatively high benefits for social assistance recipients can result in low work incentives. For instance, the same household with two children and zero working hours receives a higher percentage of the average wage in Sweden compared to the Netherlands and Germany (see Figure 9.2). This makes working financially relatively less attractive and ensures that individuals on social assistance require a high-paying job to significantly increase their net income compared to being on social assistance.

Moreover, the financial incentive to leave social assistance decreases further when recipients live in more expensive housing, as the amount of social assistance increases with rental costs. Because the housing supplement and allowance cover housing costs in full, the amount of social assistance increases with rent²⁵. This implies that individuals need a higher income from work to leave social assistance when they live in more expensive housing, which lowers their financial incentive to find work.

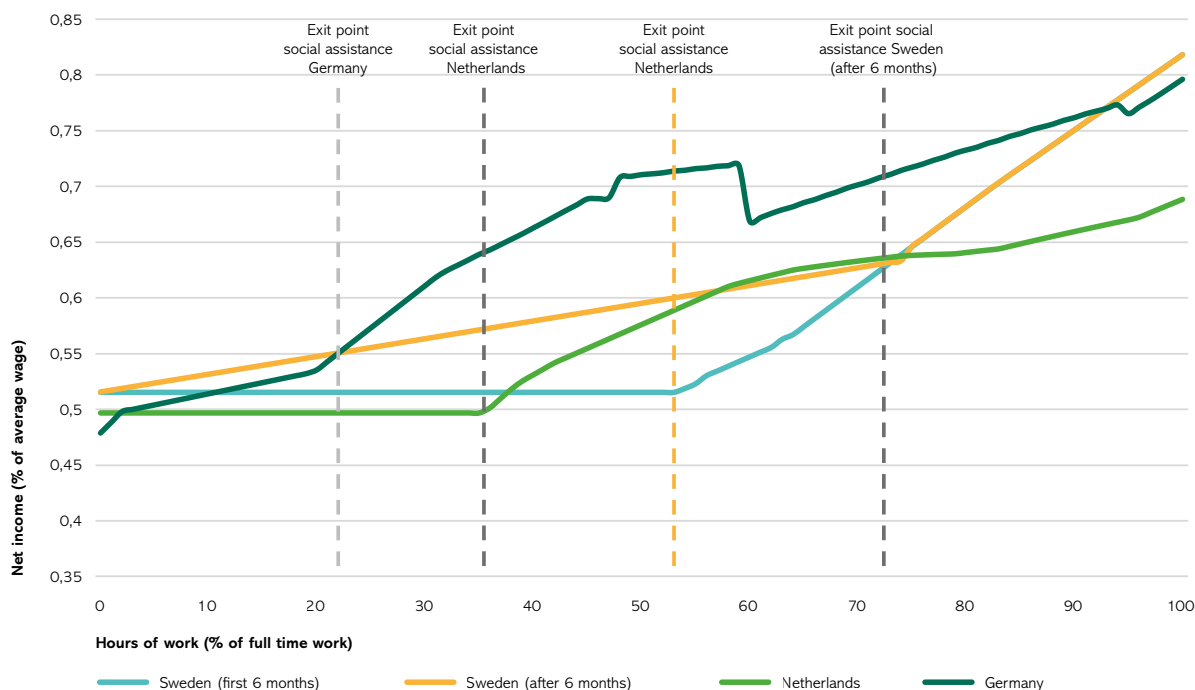
Another aspect of the Swedish system, which contributes to low financial work incentives, is the temporary high marginal tax rate when working while on social assistance. The marginal tax rate is defined as the part of the increase in gross income that does not result in an increase in disposable income. This occurs because increased income taxes and reduced benefits offset the additional income gain. In the Swedish system, social assistance is scaled down kroner for kroner against labour income during the first six months of social assistance receipt. During this time, the marginal tax rate is 100 per cent until someone leaves social assistance. After these six months, benefits are reduced by SEK 0.75 for every kroner of labour income, for a maximum of two years. This implies a marginal tax rate of 75 per cent. Especially during the first six months, social assistance recipients have low financial incentives to work. High marginal tax rates can create a poverty trap²⁶ and keep households dependent on social assistance (Palmer & Pettersson, 2010).

Figure 9.2 gives an illustrative example of the financial incentives in the Swedish system for a couple with two children, compared to Germany and the Netherlands. The figure shows that in Sweden, net income remains unchanged during the first six months on social assistance, as long as the household receives social assistance (in this specific example, until working 53 per cent of a full-time week). In the Netherlands and Germany, net income starts to increase at a lower number of working hours. Nevertheless, when exiting social assistance the marginal tax rate is lower in Sweden than in the Netherlands, as indicated by the steeper slope. After the first six months on social assistance, the marginal tax rate for social assistance recipients is also relatively low in Sweden.

²⁵ Full coverage of high rental costs is not without limits. Housing costs are covered in full for at least the first three months of social assistance dependency. Thereafter, housing costs are only fully covered if they are reasonable (Socialstyrelsen, 2021). When determining reasonable housing costs, the Social Welfare Committee begins by considering the individual's actual housing expenses and need for housing based on the household composition. The initial benchmark for evaluating reasonable housing costs aligns with the typical affordability for a low-income individual in the specific municipality. Additionally, the costs are proportional to the rental rates offered by public housing companies or other prominent housing entities operating in the area. If the committee judges that the housing costs are not reasonable, the individual is given reasonable time to lower their housing costs, for instance by moving. The Committee continues to cover the actual housing costs as long as the individual actively contributes to finding cheaper housing or tries to lower their housing costs in other ways.

²⁶ The poverty trap is defined as a situation in which an increase in someone's income is offset by a consequent loss of state benefits, leaving them no better off.

Figure 9.2: Illustrative example of low incentives for working in the Swedish social assistance system



Source: OECD, 2023.

Note: Net income on the vertical axis is given as a percentage of the average wage. The average wage is measured as the annual average wage among full-time employees in sectors B to N of the International Standard Industrial Classification of economic activities. Hours of work on the horizontal axis is given as a percentage of full-time work. The OECD Tax-Benefit calculator does not explicitly define the number of full-time working hours. However, the underlying wage data for full-time employees (average) is based on country-specific definitions of full-time working hours and thus implicitly assumes these working hours in the calculations. The hourly wage rate is set at 100 per cent of the average wage. The adults are 40 years old, and the children are 4 and 6 years old. If eligible, the households receive social assistance, housing benefits, in-work benefits and family benefits. The annual housing costs are set at 25 per cent of the average wage. The dotted lines indicate the point where individuals become independent of social assistance.

3.9.3. Administrative burden and substitution between housing benefits

Some social assistance recipients face a double administrative burden, because they have to apply for two housing benefits (Dahlberg et al., 2009). Individuals receiving social assistance are required to first request the housing allowance and subsequently apply for the housing supplement within the social assistance framework. This implies that they have to go through two application processes, with the corresponding administrative requirements. However, as the housing allowance is only targeted at specific groups (young people, families, pensioners and individuals with a disability), only those households will be faced with these two applications.

Similarly, the implementing organisations of the two housing benefits also face a double administrative burden. First, the Swedish Social Insurance Agency (*Försäkringskassan*) requires applicants to supply housing documents to verify the eligible amount for the housing allowance. Thereafter, the municipality calculates the difference between the actual housing costs and the housing allowance to determine the housing supplement. This requires reviewing similar housing documents along with the housing allowance amount. Consequently, there is a double administrative burden with regard to the verification of housing documents.

Moreover, the housing allowance cannot be used to provide additional income support to social assistance recipients, because of full substitution between the housing supplement and allowance. As the housing supplement covers the remaining housing costs after taking into account the housing allowance, any increase in the amount of the housing allowance leads to a decrease in the amount of the housing supplement (Dahlberg et al., 2009). This means that the housing allowance is not effective in providing income support to social assistance recipients, as their total income will not be affected by a change in the housing allowance. Instead, an increase in the housing allowance only leads to a shift in expenses from the municipalities to the national government.

3.9.4. Full housing costs coverage reduces the need to find cheaper housing and may drive up housing prices

The full coverage of reasonable housing costs by the housing supplement and housing allowance lowers the incentive to find cheaper housing (Bergh & Kruse, 2022). For instance, there is little motivation for recipients to move and apply to municipalities where the cost of living is lower, since this would not lead to more purchasing power for the recipient. In a system with a standardised amount that is not dependent on location, living in a lower-cost municipality would increase the recipient's purchasing power. Additionally, recipients have low incentives to reduce their housing costs while remaining in the same municipality, since housing costs are covered in full.

Moreover, the existence of relatively high housing-related benefits could theoretically drive up housing prices (Palmer & Pettersson, 2010). High housing benefits cause the minimum demand price for houses to be higher since social assistance beneficiaries can afford more expensive houses. This could increase housing prices, also for people not receiving social assistance or housing benefits. Higher housing prices imply that individuals spend a larger part of their income on housing, compared to a system where social assistance is not linked to housing costs. Moreover, higher housing prices make it difficult for social assistance recipients to exit social assistance, as the income level at which a person leaves social assistance increases with the amount of rent.

However, the risk of upward pressure on housing prices is small, because housing prices in Sweden are highly regulated (Kemp, 2007). Rent controls and subsidies conditional on rent ceilings²⁷ reduce the possibility of housing prices rising because of high housing benefits.

3.9.5. Conclusion

In Sweden, social assistance includes a housing supplement, which comes in addition to a regular housing allowance. The housing allowance is accessible to low-income households, either in conjunction with social assistance or independently. Together, the housing allowance and supplement ensure full coverage of reasonable housing costs.

An advantage of this system is that social assistance recipients have more income certainty when exiting social assistance, because they do not have to submit a new application for housing benefits. When individuals exit social assistance, they lose the right to the housing supplement, but not to the housing allowance. Thus, they do not have to apply for any housing benefits when exiting social assistance. This makes for a more seamless transition out of social assistance, with higher income security.

On the other hand, the high benefit amounts can create low financial work incentives. High benefit amounts make working relatively less attractive financially and ensure that individuals on social assistance require a high-paying job to significantly increase their net income compared to being on social assistance. Moreover, the financial incentive to leave social assistance decreases further when recipients live in more expensive housing, as the amount of social assistance increases with rental costs. Temporary high marginal tax rates also contribute to the low financial incentives to work.

Because there are two housing benefits, implementing organisations and certain households face a double administrative burden (Dahlberg et al., 2009). Households have to apply for two housing benefits, and implementing organisations have to administer two housing benefits.

Moreover, the housing allowance in Sweden cannot be used to provide additional income support to social assistance recipients, because of full substitution between the housing supplement and allowance. As the housing supplement covers the remaining housing costs after taking into account the housing allowance, any increase in the amount of the housing allowance leads to a decrease in the amount of the housing supplement (Dahlberg et al., 2009).

²⁷ The government offers state support to build rental properties and student housing.

This state support was made conditional on a rent ceiling, so that more housing would become available to low-income people.

For more information, see <https://hurvibor.se/boendekostnader/lagre-hyra-med-stod/>

Lastly, the full coverage of reasonable housing costs by the housing supplement and housing allowance lowers the incentive to find cheaper housing (Bergh & Kruse, 2022). Because housing costs are, in principle, covered in full, lowering their housing costs does not result in higher purchasing power for social assistance recipients. Additionally, there is a small risk that the relatively high housing benefits drive up housing prices, because they increase the minimum demand price for houses (Palmer & Pettersson, 2010). However, due to extensive regulation of housing prices, this is most likely not a significant problem (Kemp, 2007).

Table 9.1: Strong and weak aspects of social assistance and two housing benefits in Sweden.

Strong aspects	Room for improvement / Weak aspects
Income certainty when exiting social assistance.	Low financial incentive to start working when using social assistance.
	Administrative burden for implementing organisation(s) due to two housing schemes.
	Administrative burden for households with young, old or disabled members due to two housing schemes.
	Housing allowance not effective for income support to social assistance recipients, because of full substitution between housing supplement and allowance.
	Full coverage of housing costs reduces need to find cheaper housing and may drive up housing prices.

3.10. CASE 6: UNIVERSAL CREDIT IN THE UNITED KINGDOM

The United Kingdom has recently simplified its welfare system by combining six different means-tested benefits into one monthly payment. This single benefit can reduce administrative expenses and boost take-up rates. Nevertheless, some claimants encounter challenges with its automated features and support staff express concerns about the increased need for individual support to applicants.

A desire to simplify the complexity of the social security system in the United Kingdom has been a fundamental principle in the development of *Universal Credit*. The Work and Pensions Committee (2007) recognised the necessity for a significant reform of the UK benefits system in 2007, citing its 'dysfunctional complexity' and emphasising the importance of simplification. This led to the implementation of Universal Credit, which combines six means-tested benefits into one monthly payment. The six combined benefits are the previous housing benefits, employment and unemployment support, child tax credit, working tax credit and income support. The monthly payment is paid in arrears based on the income of the previous month using real-time information. Universal Credit is administered by a single governmental entity, the Department for Work and Pensions (DWP). The transition to Universal Credit is quite challenging. It is expected to cost GBP 2 billion and there is a 15-year timeframe for its full implementation (National Audit Office, 2020).

This case provides an overview of the positive and negative consequences that arise from combining six means-tested benefits into one monthly payment. The first subsection evaluates if claimants experience a lower administrative burden. Thereafter, the effects of the implementation of Universal Credit on take-up rates, operational efficiency, income security, administrative errors, implementation organisations and benefit amounts will be discussed.

3.10.1. Low administrative burden for applicants due to simplified payment

The automation of the combined payments in Universal Credit brings simplicity and reduces challenges during the application process. This is due to the shift to a single application requirement, as opposed to the previous need for separate applications for each benefit. Additionally, the process is also more automated and requires less manual input from the applicant.

A survey from the DWP shows that 80 per cent of the claimants are satisfied with the Universal Credit application process (Centre for Social Justice, 2019). The majority of individuals receiving Universal Credit find the process of registering and managing their benefit claim to be both 'straightforward and positive'. Only 0.04 per cent (1 in 2,500) of the caseload made complaints. This is below the level of complaints made about the previous unemployment benefit. Furthermore, households are also positive about the fact that they now have to deal with only one implementing organisation (Shorthouse et al., 2019).

3.10.2. High take-up rates expected

The implementation of Universal Credit is expected to enhance the take-up rate for two reasons (Department for Work and Pensions 2010; Bangham & Corlett, 2018). First, Universal Credit offers a significantly simplified system compared to the previous assortment of diverse benefits. Kleven and Kopczuk (2011) find that the level of complexity significantly influences the probability of individuals making a claim. Higher complexity can create hassle and possibly cognitive costs, which reduces take-up. Additionally, Bhargava and Manoli (2015) find that simplification leads to substantial additional take-up.

Second, take-up rates are likely to increase because it is impossible for households to claim one benefit that they are entitled to without claiming the others. Take-up rates of Universal Credit have not yet been evaluated, since the system has not been fully implemented and is operating in parallel with the old benefits system. However, the Office for Budget Responsibility (2018) expects that the Universal Credit benefit expenses will be around two billion pounds higher than the benefits it replaces because of increased take-up.

3.10.3. Higher income security

The five-week waiting period ensures that there are fewer repayments of benefits, thereby enhancing income security. The five-week waiting period is a characteristic of the automated monthly payment system to ensure that the benefit payment is based on actual income. The five-week waiting period involves a four-week assessment period to determine income, followed by one week to calculate and issue the corresponding benefit amount. Due to Universal Credit being based on actual income instead of expected income – as was the case in the previous system – the benefit amount can be determined with more certainty. Therefore, there are fewer corrections of the benefit amount due to incorrectly estimated income.

To prevent financial hardship while waiting for the first Universal Credit payment, people can apply for an advance payment. To repay these advances, the money is deducted from the Universal Credit payments over a period of 24 months²⁸. According to a survey from the Trades Union Congress (2020), a significant majority of individuals claiming Universal Credit (71 per cent) expressed concerns regarding the five-week waiting period. During the five-week waiting period, these claimants lacked savings and experienced financial hardship or applied for an advance payment. The advance payment improved financial hardship in the short run, but not in the long run. The reduced Universal Credit payments to repay the advance payments put even more pressure on the household budget. In 2021, the repayment period for advance Universal Credit payments has been extended from 12 to 24 months to decrease the pressure on the household budget caused by the reduction.

3.10.4. Opportunities for high operational efficiency

The simplification and digitisation of Universal Credit is expected to be more operationally efficient than the previous system. According to Amaglobeli et al. (2023), digitisation enables governments to improve operational efficiency of public spending. Furthermore, having one implementing organisation that handles applications for all benefits can lead to economies of scope. The DWP forecasts that when Universal Credit is fully implemented in 2024–25, the administration costs will be GBP 99 million per year less than the administration costs of the benefits it replaces. This is equal to saving nine per cent a year in administration costs (National Audit Office, 2020).

However, it remains uncertain whether Universal Credit will result in lower administrative costs compared to the previous benefits system (National Audit Office, 2018). The anticipated operational efficiencies are not yet guaranteed. At present, the cost of Universal Credit stands at GBP 699 per claim, which is four times higher than the intended cost once the systems are fully developed. Furthermore, concerns expressed by support agencies raise questions about the ability to increase operational efficiency. The cost of administering each claim is primarily determined by the level of effort required by the DWP staff. To minimise costs, the DWP focuses on automating processes and providing training to its staff to enable them to handle a greater volume of claims.

3.10.5. Less room for administrative error

Universal Credit is designed to enhance the efficiency and simplicity of the system, thereby minimising the potential for error (Department for Work and Pensions, 2010). The implementation of a real-time income system will provide the DWP with a more accurate understanding of people's circumstances and will leave less room for administrative error. However, four main vulnerabilities for errors remain as households have to report their self-employment income, savings, capital, housing costs and whether people are living together (House of Commons Committee of Public Accounts, 2021).

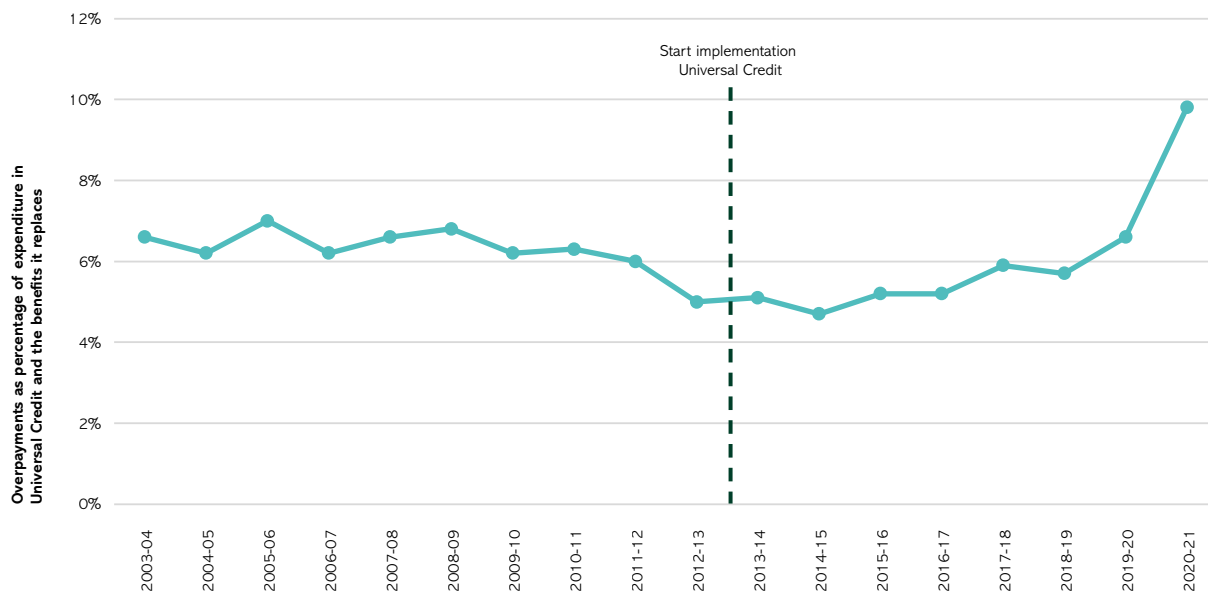
The share of overpayments of Universal Credit is slightly lower on average than the rates observed in the decade preceding the introduction of Universal Credit²⁹. This is illustrated in Figure 10.1, where a measure of error for overpayments of Universal Credit and the benefits it replaces is drawn from 2003 to 2021. The increase in 2020–2021 is linked to the temporary easing of regulations during the COVID-19 pandemic. Controls for self-employed claimants were temporarily suspended during the pandemic to speed up the processing of benefits. The reinstatement of these controls in 2021–22 directly contributed to a decline in overpayments (National Audit Office, 2023). To further decrease fraud and errors in the future, the DWP is actively allocating resources towards the development of advanced counter-fraud measures. These measures are anticipated to yield substantial results in reducing the overall occurrence of overpayments (National Audit Office, 2023).

²⁸ If there is a move from Universal Credit to another benefit, the advance payment is usually deducted from the new benefit.

If there is a move off benefits or benefits are denied, the DWP will send a letter with repayment arrangements.

²⁹ Before Universal Credit, the average overpayment was 6.3% and thereafter it was 5.5% (excluding 2020–2021).

Figure 10.1: There is a slight decrease in overpayments since the introduction of Universal Credit.



Source: National Audit Office, 2023.

3.10.6. Unexpected benefit changes

Some people face difficulties because of the automated features of Universal Credit, since payments are subject to unexpected changes. This leads to problems in household budgeting (Hobson et al., 2019). These unforeseen changes can be categorised as justified or unjustified changes. The changes are deemed justified if income changes result in benefit changes, whereas they are deemed unjustified if errors or delays result in benefit changes.

One source of justified unexpected changes is when people who work in addition to receiving Universal Credit receive their wages weekly, fortnightly or four-weekly, because this does not match the dates of the Universal Credit payments (Hobson et al., 2019). Universal Credit is paid monthly on the date of the first payment. Consequently, work income that follows different payment patterns than the monthly Universal Credit results in fluctuations in Universal Credit payments, as the amount of Universal Credit is based on the actual income of the previous month. For instance, individuals paid weekly experience considerably lower Universal Credit payments during four months of the year, as these four months include five wage payments instead of four. Such variations often pose challenges to households in budgeting for these changes (Hobson et al., 2019).

Another source of justified unexpected changes is inherent in a system where income data is automatically retrieved. That is, any changes in monthly income automatically affect the Universal Credit benefit payments, even if the recipient is not actively aware that their income has changed.

The unjustified unexpected changes arise due to administrative mistakes and delays (Cheetham et al., 2019). The amount of Universal Credit is dependent on income information reported by employers. Administrative errors, data mismatches and delays lead to incorrect or delayed adjustment of benefits and thus to different Universal Credit amounts than expected.

3.10.7. Conclusion

The advantages of Universal Credit might not be fully manifested or have been researched yet, given that it is still in the implementation phase. Additionally, the disadvantages described could diminish over time as individuals become accustomed to and adopt the new system. The conclusion is based on the current situation and should be interpreted with this in mind.

Combining six different means-tested benefits into a single monthly payment has several advantages for the applicant. A main advantage is the reduced administrative burden, because the application process is simplified and combined for all benefits. Due to the simplified application process, take-up rates are likely to increase. Additionally, take-up rates are expected to increase because of the inability to claim one benefit while neglecting other benefits. Furthermore, income security improves as well, since the benefit amount is now calculated based on actual income instead of estimated income. This reduces the repayments of benefits and thereby increases income security.

Universal Credit also might bring advantages for the implementing organisations. The simplification and digitisation of Universal Credit creates opportunities for increased operational efficiency compared to the previous system, as having one implementing organisation that handles applications for all benefits can lead to economies of scope. The digitisation and automation of income information minimises the potential for error through a more accurate understanding of household situations. However, it remains uncertain whether Universal Credit will result in lower administrative costs compared to the previous benefits system, as the anticipated operational efficiencies have not yet been achieved (National Audit Office, 2018).

On the other hand, a main drawback of Universal Credit is the unexpected benefit changes, which result in difficulties for household budgeting. The benefit amount changes directly with income data, which can result in unexpected changes for the household. One reason for the benefit changes is that the actual income in the previous month has changed. This can be because of a permanent change in income, but also because wage payments and Universal Credit do not follow the same payment pattern. Additionally, unexpected changes can arise due to administrative errors, data mismatches and delays in income data.

Table 10.1: Strong and weak aspects of Universal Credit in the United Kingdom

Strong aspects	Room for improvement / Weak aspects
Low administrative burden for applicants, due to one combined application and payment.	Unexpected benefit changes due to automated adjustments of benefits after changes in income.
High take-up rates (expected).	Unexpected benefit changes due to administrative errors, data mismatches and administrative delays lead to incorrect or delayed adjustment of benefits.
High income security, because benefits are calculated based on known income.	
Opportunities for high operational efficiency due to automated payments and economies of scope.	
Less room for administrative error.	

3.11. SYNTHESIS

The six cases have different impacts on aspects such as administrative burden, effectiveness of income support, targeting, labour market and education outcomes, income security, the financial position of the recipients and feasibility of implementation. In general, all cases show a trade-off between at least two aspects.

We present a synthesis of the impact of the six cases on the following aspects: the administrative burden for the implementing organisations, the administrative burden for the recipients, the effectiveness of income support (e.g. take-up rates), targeting, the labour market and education outcomes, income security, the financial position of the recipients and feasibility of implementation. The impacts are assessed as if the case was implemented in another country that currently does not have this specific element in its social security system. The impacts shown in Table 11.1 are based on empirical findings, theory and policy documents. The table does not allow for a direct comparison of impact sizes, as the impact is often not quantified in the country itself, let alone that it can be quantified if it were implemented somewhere else. Additionally, the impact depends on the institutional context within a country and may therefore not directly have the same impact in another country. Furthermore, second-order effects are not taken into account. In Table 11.1 a plus means a positive impact, a minus means a negative impact and a zero means no impact. In certain instances, both a plus and minus are shown. This implies contradictory findings, where both positive and negative impacts occur.

The chapter is structured as follows. At first, the impacts of the six cases on the administrative burden for the implementing organisations, the administrative burden for the recipients, take-up rates, targeting, the effectiveness of income support, the labour market and education outcomes, income security and the financial position of households are described separately. Thereafter, the trade-offs between relatively successful policies and feasibility of implementation, targeted policies and administrative burden for implementing organisations, and effective income policies and administrative burden for recipients are addressed.

Administrative burden for implementing organisations

The administrative burden for implementing organisations increases when applicants need to be categorised and/or when applicants are guided more actively. For instance, the focus on schooling and the 225-hour rule in Denmark result in a high administrative burden for implementing organisations as caseworkers must first assess whether the social assistance applicant is ready for schooling or employment. Thereafter, if the applicant is ready for schooling, guidance must be provided for their schooling by creating an education plan. Similarly, if the applicant is ready for work, the caseworker must determine whether exemption from the 225-hour rule is warranted, and if so, provide the necessary documentation for this decision.

The administrative burden for implementing organisations also increases when multiple organisations are involved in the execution of benefits. The mutually exclusive social assistance, and housing and child benefits in Germany, as well as the two housing benefits in Sweden, are examples of how the administrative burden increases due to the involvement of several organisations. In Germany, households that switch benefit schemes have to be reassessed by a different organisation based on similar documents regarding their income and housing situation. Similarly, in Sweden the two housing benefits are examined and executed by different organisations, which also leads to checking similar documents related to the housing situation.

On the other hand, the administrative burden decreases when there is a single implementing organisation. Universal Credit in the United Kingdom and tax credits in New Zealand are examples of how the administrative burden decreases due to a single implementing organisation. In the case of Universal Credit, applicants are now assessed for all benefits simultaneously, eliminating the need for multiple organisations to verify similar documents. However, Universal Credit is scored with a zero because this single implementing organisation now needs to verify all benefits instead of only one, which increases the complexity. When organising benefits through the tax system, the tax authority is the single institution involved in the implementation. The tax authority already possesses income data, which eliminates the need for information sharing with other agencies.

Administrative burden for applicants

In general, a single and/or simplified application procedure reduces the administrative burden for the applicant. For instance, the tax credits in New Zealand have a relatively simple application procedure because applicants simply need to file a tax code when filing taxes. Moreover, for households on social assistance or on unemployment benefits and for households with only wage income, the tax filing is done automatically. Hence, for these households there is no necessity to apply for the benefit as they will get it automatically. Universal Credit is another example of decreased administrative burden due to a single application form for all six eligible benefits. Also, German households with near zero income requiring social assistance only have to submit a single application to receive all eligible amounts, which decreases the administrative burden for them.

On the other hand, complex or multiple application procedures increase the administrative burden for applicants. For instance, households in Germany can experience an increased administrative burden due to switching between benefit schemes. Households that start to earn income alongside receiving social assistance must transition to housing and child benefits once their income reaches a certain level. This requires new applications. Similarly, households receiving housing and child benefits must switch to social assistance when their income decreases to a certain level. If their income fluctuates around this specific income level, households may need to switch back and forth between schemes and, consequently, between social security agencies. The two housing benefits in Sweden are also an example of an increased administrative burden for the applicant, as documents about the housing situation need to be provided for both housing benefits.

Effectiveness of income support (e.g. take-up rates)

Income support can become ineffective due to how the total social security system is organised within a country. This can be illustrated by two cases. In Germany, the effectiveness of income support is reduced because households can be in a different scheme than the one that is targeted at them. This means they do not receive the intended support, which can result in lower income levels or less reintegration support. In Sweden, the housing allowance becomes an ineffective instrument for reaching households on social assistance because the two housing benefits combined completely cover all housing costs. Consequently, increases or decreases in the housing allowance have no income effect for households on social assistance, as they are offset by a similar decrease or increase in the housing supplement.

Income support can also become effective if take-up rates are high, with take-up rates increasing with increased simplicity of the application process and reduced stigma. Tax credits in New Zealand are an example of how both a simple application process and diminished stigma contribute to higher take-up rates. Tax filing, and thus the application for tax credits, is relatively simple and in principle mandatory for everyone in New Zealand. Therefore, the additional efforts required are minimised. The fact that everyone has to file taxes also reduces the stigma associated with applying for benefits. Another example is the expected increase in take-up rate under Universal Credit due to the simplified application process. Furthermore, under Universal Credit it is no longer possible to apply for one benefit without simultaneously applying for another. This should automatically increase take-up rates.

On the other hand, income support can also become ineffective if take-up rates are low, with take-up rates declining with the complexity of the application process. For instance, mutually exclusive benefits have a negative impact on take-up rates, because applicants often find it challenging to determine which scheme they should apply for. Many applicants do not possess the knowledge to apply directly for the correct scheme or are uncertain about the requirements under each scheme, which deters them from applying.

Targeting of activation programmes and financial incentives

Several cases theoretically improve targeting, as the policies are designed to reach specific groups of the population. Therefore, the activation programmes and financial incentives within these policies are targeted at those groups exclusively. A targeted policy is expected to increase efficiency, because it ensures that resources are directed at the groups that are most likely to benefit. For example, Denmark targets its policy. The focus on schooling is only targeted at those who are young and are likely able to finish an education. The 225-hour rule only applies to those whose are able to work at least 225 hours a year and is therefore targeted as well. Additionally, in Germany social assistance is only targeted at the households with the lowest income and reintegration policies are therefore also automatically targeted at those who are less self-sufficient on average.

Labour market and education outcomes

The two Danish cases have positive effects on the labour market and education outcomes of social assistance recipients. These two policies incentivise social assistance recipients to take up education or employment, by making social assistance less attractive financially. The lower rates for young social assistance recipients without a vocational education increase both the share of young social assistance recipients in education and their share in employment. The implementation of the 225-hour rule was also followed by improved labour market outcomes: the share of recipients who work more than 225 hours a year, the share of recipients with a job and the exit rate from social assistance to employment or education increased.

In Sweden, on the other hand, there are lower financial incentives to start working. The high benefit amounts for social assistance recipients because of full coverage of the housing costs make working relatively less attractive financially and ensure that individuals on social assistance require a high-paying job to significantly increase their net income compared to being on social assistance. This financial incentive decreases further when recipients live in more expensive housing, as the amount of social assistance increases with rental costs. Temporary high marginal tax rates also contribute to the low financial incentives to work in Sweden.

Income security

Determining benefit amounts based on known income instead of estimated income can increase income security. In the United Kingdom and New Zealand (for part of the households), benefits are determined based on actual income instead of estimated income. This ensures that there are fewer corrections of the benefit amounts and thus increases income security. However, using known income implies that the benefit amounts cannot be exactly matched to the recipient's current financial situation, as there will always be some delay. In the United Kingdom, this delay is relatively short, as the benefit amounts are based on the previous month's income. In New Zealand, income is only fixed at the end of the fiscal year, resulting in a relatively long delay. Therefore, New Zealand offers households the option to receive the benefit weekly or fortnightly, but the benefit amount is then based on estimated income. Households that choose this option do not benefit from higher income security and actually may have to make repayments, leading to debt.

Moreover, consistency of benefits over the income range can also ensure income security. This becomes especially evident when comparing the cases from Germany and Sweden. In both in Germany and Sweden, there are separate housing benefits for social assistance recipients. In Sweden, social assistance recipients do not have to apply for any new housing benefits when exiting social assistance. This creates a relatively smooth transition out of social assistance, with higher income security. In Germany, social assistance recipients only become eligible for housing and child benefits once they exit social assistance, which means they have to apply for these housing benefits when exiting. This creates a less smooth transition, and lower income security if the recipient does not apply for the housing benefits on time.

Finally, income insecurity can also follow from inherent design choices or administrative errors. This differs from income security related to repayment, as this occurs when households do not understand why their benefit amount changes between periods. For example, in the United Kingdom, households with weekly or fortnightly wage payments have a lower income security due to differences between the frequency of wage payments and Universal Credit payments. As some months have more weeks than others, this mismatch between frequencies creates income insecurity due to inconsistency. Moreover, automatic retrieval of income data can also lead to income insecurity, because income changes automatically affect the benefit amounts, even if the recipient is not actively aware of this income change. Administrative errors and delays can, of course, also be a source of income insecurity.

Financial position of households

The financial position of households is strongly related to the design of the social security system. On the one hand, in Sweden the design of the social security system ensures a strong financial position of households on social assistance. This is the case because benefit levels in Sweden are high, due to the housing supplement and housing allowance together completely covering the housing costs. On the other hand, financial incentives in the form of sanctions and lower social assistance rates for some, as seen in Denmark, inherently worsen the financial position of those affected by the policy. The lower social assistance rates for young individuals worsen the financial position of all education-ready social assistance recipients until they finish an education or find employment. Under the 225-hour rule, social assistance recipients are sanctioned if they do not comply with the rule. This worsens their financial position.

Feasibility of implementation

Some cases might be implemented more easily within an existing social security system than others. For instance, implementing refundable tax credits requires that the national tax authority is equipped for this additional task. Furthermore, to decrease the administrative burden for recipients and improve the take-up rates by implementing refundable tax credits, it is important that tax filing is not a comprehensive process. In other countries, tax filing is often comprehensive. Despite the New Zealand tax authority's existing experience with tasks beyond tax collection and the relative ease of its tax filing process, it still took four full years to implement the refundable tax credits. Implementing a system similar to Universal Credit requires a significant effort by both households and implementing organisations. Households need to transition from their current scheme to a completely new system and might have to adapt to new application procedures. The new implementing organisation now needs to assess eligibility for multiple previous schemes instead of just determining eligibility for a single scheme. The full implementation of Universal Credit is expected to take 15 years to complete. The cases in Denmark, Germany and Sweden require fewer extensive adjustments within a current system.

Table 11.1: Overview of impacts of cases on several aspects if the case would be implemented in another country.

	Focus on schooling (Denmark)	225-hour rule (Denmark)	Separate social assistance and benefits (Germany)	Refundable tax credits ^a (New Zealand)	Two housing benefits (Sweden)	Universal Credit (UK)
Administrative burden implementing organisations	—	—*	—	+	—	0
Administrative burden households	0	0	—*/ +	+	—	+*
Effectiveness of income support (e.g. take-up rates)	0	0	—*	+*	—	+
Targeting of activation programmes and incentives	+	+	+	0	0	0
Labour market and education outcomes	+**	+*	0	0	—	0
Income security	0	0	—*	—*/ +	+	—*/ +
Financial position recipient	—*	—*	0	0	+*	0
Feasibility of implementation	0	0	0	—	0	—

Source: SEO Amsterdam Economics.

Note: The impacts are assessed as if this case was implemented in another country that currently does not have this specific policy as part of its social security system. A + indicates a positive impact, - indicates a negative impact, 0 implies no impact, -/+ indicates both negative and positive impacts, for different groups, 0/+ indicates no or a positive impact, for different groups. * indicates documented evidence and ** indicates causal evidence. The impacts do not indicate any magnitude of effects. Also, the impact importantly depends on the institutional context within a country.

^a If the eligible credit amount is greater than the tax owed, a refundable tax credit ensures that the difference is refunded.

Trade-off between relatively successful policies and feasibility of implementation

It appears that New Zealand and the United Kingdom, which score the most pluses and the fewest minuses in Table 11.1, are the only countries scoring a minus on the feasibility of implementation. Changing a system to introduce a policy that decreases administrative burden increases the effectiveness of income support and increases income security, requires rather significant reforms. These reforms are both costly and time consuming to implement. For instance, the anticipated cost of implementing Universal Credit is GBP two billion. The implementation period for the tax credits in New Zealand was four years, while Universal Credit is projected to take even longer, with an estimated fifteen-year timeline.

Trade-off between targeted policies and the administrative burden for the implementing organisation

To target policies at specific groups, more administrative work is necessary. This is evident in both Danish cases. In Denmark, both policies are targeted exclusively at those who are deemed capable of compliance. To ensure that only individuals who are likely to comply are included in the policy, caseworkers must assess each individual. This requires considerable administrative and personnel effort. Germany targets social assistance at a specific low-income group. To ensure that only this specific group qualifies, households are required to switch to another benefit scheme if their income changes. This increases the administrative burden as new applications need to be completed and checked.

Trade-off between the effectiveness of income support and the administrative burden for the recipient

The administrative burden for the household correlates with the effectiveness of income support. For example, both in New Zealand and the United Kingdom, households experience relatively low administrative burdens, leading to higher take-up rates. With higher take-up rates, income support becomes more effective as targeted households are reached. The opposite pattern can be noticed in Germany. In Germany, household burdens are relatively high because households may need to apply multiple times for different schemes when their income changes, or they may be uncertain about which scheme to apply for. This results in lower take-up rates and therefore less effective income support. Similarly, in Sweden households face a relatively high administrative burden as they must apply for two housing benefits. However, due to the design of the housing benefits, a benefit change in the housing allowance does not lead to an income change. This makes the housing allowance an ineffective instrument for income support.

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APPENDIX A

Glossery

Arrears	Paid at the end of the period after the income of the period is known.
Asset tested	Eligibility for the benefit depends on the value of the assets.
Child allowance	The term child allowance is used when eligibility is independent of household income.
Child benefit	The term child benefit is used when eligibility is dependent on household income.
Implementing organisation	The entity responsible for carrying out the specific benefit scheme.
Marginal tax rate	The amount of additional tax paid on every additional unit of earned income.
Means-tested	Eligibility for the benefit depends on the earned income.
Non-contributory	A type of benefit where individuals are not required to make direct financial contributions, such as through payroll taxes or social premiums, to be eligible for benefits.
Non-take-up	The percentage of eligible individuals or households that do not make use of the benefit scheme.
Refundable tax credit	When the eligible credit amount is greater than the tax owed, the difference is refunded.
Take-up	The percentage of eligible individuals or households that make use of the benefit scheme.
Tax credit	An amount that can be subtracted from the income tax payable.
Tax deduction	An amount that can be deducted from taxable income to reduce the amount of tax paid. This is also known as a tax allowance.
Usage	The extent to which individuals or households access the benefit scheme measured in relation to a reference group, such as all households.

4. LIST OF AUTHORS

Daniël van Vuuren

Daniël van Vuuren is head of the Social Security cluster at SEO Amsterdam Economics. He is also a professor of Social Security and Economics at Tilburg University and a member of the State Commission on Demographic Developments 2050. Daniël has 25 years of experience in applied economic research, with a focus on social security, labor markets, pensions, and public finance. He studied econometrics at the Vrije Universiteit Amsterdam (1993-1997) and obtained his Ph.D. from the same university (1998-2002).



Before joining SEO, Daniël worked at the CPB Netherlands Bureau for Economic Policy Analysis, including roles as head of Public Finance (2018-2019), head of Labor, Education, and Pensions (2014-2017), and head of Social Security (2008-2013). He was responsible for macroeconomic forecasts, calculations at the request of ministries and parliament, and numerous research projects.

Daniël conducted research on early retirement, self-employed individuals, disability schemes (Wajong, WIA, and WAO), and part-time pensions. In the periods 2011-2013 and 2017-2019, he was in charge of purchasing power calculations at CPB using the microsimulation model Mimosi, and in the second period, he was also responsible for labor market calculations using the microsimulation model Micsim. At SEO, he led various studies in the field of labor and social security, for instance an international comparative study on the social minimum in European countries.

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Kim has previously studied a range of topics within social security. For example, at SEO, Kim has worked on an international comparative study on the social minimum and a study into an alternative for child, rent and healthcare allowances. Before joining SEO, Kim worked as a researcher at the Amsterdam University of Applied Sciences and interned at the CPB Netherlands Bureau for Economic Policy Analysis, where she studied the guidance of social assistance recipients in Amsterdam and temporary income support for self-employed workers during the COVID-19 crisis.

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Jellien Knol is a researcher within the Social Security cluster at SEO Amsterdam Economics. She completed her Research Master's in Economics at the University of Groningen (2022, with honors). During her bachelor's degree at the same university, she participated in the Honors College program and was an exchange student at Lund University. Jellien served as a teaching assistant (2019-2022), teaching courses in Microeconomics, Macroeconomics, and Mathematics for undergraduate students.



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