

Abstract: Minimum Income Benefit Non-take-up in Europe^{1 2}

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Increasing poverty is likely to be one of the most relevant issues of the forthcoming years thus accurately targeting social assistance will be more needed than ever. The phenomenon of one not-taking-up the benefit one is entitled to shows the possible ineffectiveness and injustice in the policy implementation and it can also be one of the reasons of poverty. (Van Oorschot 1991) Our article attempts to reveal characteristics of non-take-up (NTU) that may be similar in the European benefit schemes by estimating the NTU of the Minimum Income Benefits (MIB) for 8 European countries selected based on the accuracy of MIB simulation, but they also represent a wide array of welfare regimes. There are several studies investigating the non-take-up rate of MIB in a single country, however, there are very few that compare several countries. We aim to fill this gap, investigate in a unified framework the main causes of non-take-up, and show which of these are common across EU member states.

There are various explanations of non-take-up that have been studied widely. Van Oorschot (1991) explained it with (1) the characteristics of the benefit scheme – such as its stringency of behavioural conditions, (2) the way benefits are implemented – for instance how complicated is the application procedure, and (3) the client’s level (based on Kerr’s model, 1983) – for example, the ‘welfare stigma’; we primarily concentrate on the latter.

Our main aim is to reveal the relevance of the expected benefit amount that seems to be a relevant factor in NTU regardless of the country’s welfare system in the benefit take-up decision in Europe based on standardized survey data and microsimulation using Euromod. Furthermore, we will attempt to approximate the relevance of stigma with the level of education and the region’s unemployment level as additional characteristics. Additionally, we also control for some of the characteristics of the benefits scheme (integration of social services based on legal and implementation (van der Ende et al., 2020) and the strictness of activation requirements (OECD)). Finally, our analysis also reveals the challenges in simulating the MIB and shows that the accuracy is significantly lower for cases of more complex household structures.

We are using Euromod tax-benefit microsimulation model with EU SILC background data on the 8 selected countries (Belgium, Czechia, Estonia, France, Lithuania, the Netherlands, Portugal, and Romania) for those recent years when EU SILC Euromod background data is provided. We simulated benefit entitlement,

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<https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8362&furtherPubs=yes>.

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take-up, and benefit amount and carried out our analysis supplemented with socio-demographic control variables to reveal the main characteristics of the non-take-up phenomenon. We run additional analysis on databases of MISSOC and Euromod's Hypothetical Household Tool to enrich the information on MIB and the discrepancies in the simulation.

We defined the take-up rate and the non-take-up rate, as they are defined in previous studies (Harnisch 2019; Fuchs et al 2020), as we are primarily investigating take-up and non-take-up (those who are eligible according to the simulation and either claiming the benefit or not).

We found that the take-up rates vary substantially, from below 20 per cent to around 60 per cent. In the majority of the countries examined here, the take-up rate is below one-third, while it is above 50 per cent only in Czechia, France and in Lithuania. Compared to previous studies (Eurofund 2015) suspiciously high non-take-up and leakage rates were found even in the countries where we assumed that the simulations were as accurate as possible. Comparing our results with those in the literature shows that using Euromod for MIB kind of benefits leads to presumably lower take-up rates, than those building their analysis on admin data as only those published in 2003 in the Netherlands were similar to our results among the few countries where there are earlier non-take-up results of MIB.

We conclude that even though the take-up rates are low, the factors that determine the benefit take-up are in line with our assumptions. The primary determinant of claiming the benefit is the benefit amount; however, the employment status of the household, educational level, gender, and age are also playing important roles in one's decision whether taking-up the benefit or not. Finally, our assumption about the relevance of stigma might be accurate based on the results that a higher unemployment rate in a region has a significant effect on the take-up rate.

Keywords: benefit non-take-up, social assistance, microsimulation

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