



# Falling through the social safety net? The case of non-take-up in Austria\*

Michael Fuchs, Katarina Hollan, Katrin Gasior, Tamara Premrov  
and Anette Scoppetta

*Michael Fuchs, Katarina Hollan, Tamara Premrov and Anette Scoppetta are researchers at the European Centre for Social Welfare Policy and Research. Katrin Gasior is a researcher at the Institute for Social and Economic Research/Essex.*  
fuchs@euro.centre.org  
hollan@euro.centre.org  
k.gasior@essex.ac.uk  
premrov@euro.centre.org  
scoppetta@euro.centre.org

## Introduction

A key performance criterion of social protection systems is whether benefits reach their target groups. Means-tested programmes, however, tend to be characterised by a certain extent of take-up problems. With the aim to increase target efficiency by facilitating access and introducing new minimum standards, the Austrian benefit of last resort “monetary social assistance” was replaced by the “minimum income benefit” in 2010/11. This policy brief quantifies the success of the reform by assessing the size and social determinants of (non-)take-up of those benefits, and points at potentials for further policy improvement.

## Determinants of (non-)take-up

A basic hypothesis from economic literature related to determinants of non-take-up argues that, according to a cost-benefit equation, a household will apply for a certain social transfer if the anticipated benefit exceeds the anticipated costs. The theory stresses direct and indirect costs of applying, including both objective barriers and subjective motives (see, for example, Anderson & Meyer, 1997; Blank & Ruggles, 1996; Kayser & Frick, 2001), namely:

- *Pecuniary determinants*: persons in need will claim if the expected benefit amount is high and the expected duration of the benefit spell is long enough. In other words, without other material resources a person in need will hardly be able to ‘decide’ not to claim.
- *Information costs*: collecting, understanding and completing application procedures can be a hurdle for some potential claimants. Entitled persons

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may abstain from taking-up if the application procedures are too complex or disorganised, they lack information or awareness, misperceive the benefit or lack access to administrative support (Eurofound, 2015). Uncertainties about the application outcome may also contribute to non-take-up, in particular for persons on the margins of benefit entitlement (Hümbelin, 2016).

- *Administrative costs*: queuing, filling forms, the need to report detailed information to the welfare agency, checks on the willingness to accept suitable job offers, obligations in the framework of integration measures, etc. (Bruckmeier et al., 2013) and/or lack of resources such as time, ability to find one's way through the system, or ability to travel to the welfare or employment office (Eurofound, 2015) may deter from take-up.
- *Social and psychological costs* including stigmatisation: intangible costs related to an overall negative perception of state aid and in particular of social assistance as degrading, foster non-take-up. The behaviour of welfare officials towards claimants may also be perceived as humiliating, particularly if the administration acts as a fraud controller (Eurofound, 2015).

If the anticipated benefit falls short of perceived claiming costs because of non-transparent or complex schemes, poor information or institutional barriers, this implies a failure in the design or implementation of the welfare programme (Eurofound, 2015; Kayser & Frick, 2001).

However, it is important to note that non-take-up is not only a consequence of system failures, deficiency, passivity, disadvantage or domination, but is also about the freedom of individuals to express their indifference, their disagreement and their rejection of the system (Frick & Groh-Samberg, 2007; Warin, 2014). In addition, non-take-up is also influenced by the accuracy of administrative decisions (Hümbelin, 2016). The potential resulting rejection of actually eligible persons is termed as “secondary” non-take-up (van Oorschot, 1991).

## Consequences of non-take-up

**Non-take-up leads to a lack of financial means and inclusion measures for those in need...**

Low participation rates may distort the intended welfare impact of social transfers. The welfare goals of benefit programmes are not entirely reached; there is a failure in the provision of a safety net for persons in need, in reducing poverty and in labour market or social reintegration (Bargain et al., 2010). In addition, non-take-up may cause greater social and economic costs in the long run as, for example, the individual path towards indebtedness and precarious financial circumstances may lead to health problems or reduced equal opportunities for children (Eurofound, 2015; Hümbelin, 2016).

Non-participation causes unjustified disparities among eligible clients. This becomes a serious problem if the ‘decision’ is at least partly involuntary, i.e. if some households are discouraged from claiming because of objective or subjective barriers (e.g. if only the better-informed claim and, thus, possibly not those who would benefit most).

**...as well as to a reduction in the capacity to anticipate social outcomes and financial costs of policy reforms.**

Finally, non-take-up reduces the capacity to anticipate both social outcomes and financial costs of policy reforms, notwithstanding that claiming behaviour is influenced by possible reforms, too, and leads to interpretation problems of recipients’ statistics: the receipt of a certain benefit cannot be considered as a reliable indicator for deprived circumstances, if it mirrors only the observable part.

## **From monetary social assistance to minimum income benefit**

In the tradition of a Corporatist welfare regime, means-tested benefits make up for only 5% of all monetary social transfers in Austria (BMASK, 2017). Between 2010 and 2011 monetary social assistance (“Sozialhilfe”) was replaced by minimum income benefit (“Mindestsicherung”) in all Federal States. As benefits of last resort, they both aim at providing the last safety net for those in need. The receipt of the benefit is conditional upon an income- and wealth-based means-test on the household level as well as on the willingness and availability to work if the beneficiaries are of working age and fit to work.

**Policy reform of benefit of last resort with the aim to combat poverty more effectively and to facilitate access.**

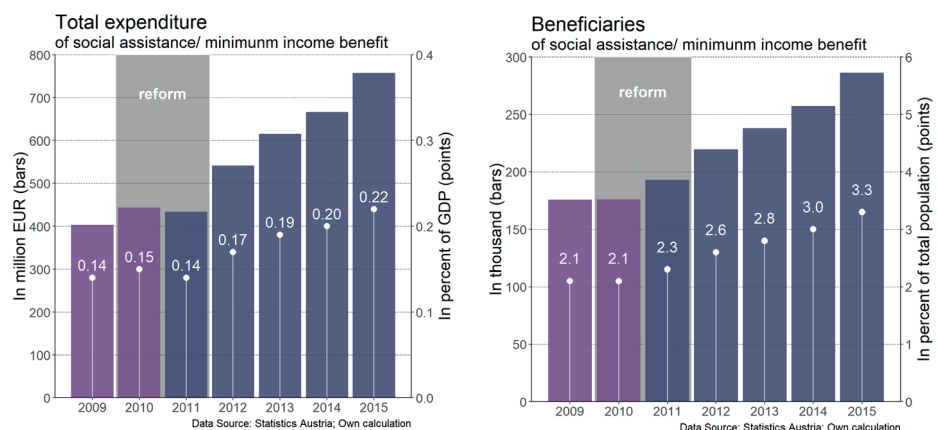
The main reason for the policy change in Austria was to combat poverty more effectively by setting new minimum standards and facilitating access to the benefit. The reform in particular aimed at tackling high levels of non-take-up through changes in the benefit structure and the application procedure. Its main changes were the introduction of relatively uniform standards, enhanced inclusion through a fully-fledged health insurance, increased legal certainty and the provision of more anonymity within the claiming process.

Compared to other European countries, the Austrian minimum income scheme can be characterised as a scheme “with rather restricted eligibility and coverage” (ESPN, 2015: 7). The number of recipients in relation to the total population is relatively low due to the extensive roll-out of social insurance-related and universal benefits, the relatively low unemployment rate in the international context and the unlimited provision of unemployment assistance (“Notstandshilfe”) after the expiration of unemployment benefit (“Arbeitslosengeld”).

## Figures of improved access

In 2015, 284,000 persons in 168,000 households, which equals 3.3 % of the population, were receiving minimum income benefit in Austria. The yearly expenditures amounted to EUR 765 million, i.e. 0.22 % of the GDP (Pratscher, 2016). Since the last years of monetary social assistance in 2009/10, a substantial increase in recipients and expenditure can be observed (see Figure 1). There is a high concentration of recipients in Vienna: in 2009 58% of all recipients were located in the capital, in 2015 56%. The benefits are characterised by a high share of households (in 2015 around 70%) in which low incomes from other sources like unemployment benefits, maintenance payments or employment income are topped up (Statistik Austria, 2019). Reasons for this are the relatively high share of precarious employment and corresponding low earnings of clients as well as low prior-ranked unemployment benefits in the case of unemployment.

**Figure 1: Recipients and expenditure of monetary social assistance/minimum income benefit in Austria, 2009-2015**



Source: Authors' calculations based on Statistics Austria 2019.

**Non-take-up rates decreased considerably as a consequence of the introduction of minimum income benefit.**

Simulations with EUROMOD / SORESI on the basis of EU-SILC register data for 2009 and 2015 enable the calculation of non-take-up rates.<sup>1</sup> As shown in Table 1, estimated non-take-up rates in terms of the number of claiming households

<sup>1</sup> For the analysis of non-take-up, complex statistical procedures are required. The most difficult task is to identify all those with potential entitlement. Eligibility can only be determined by imputations based on information on socio-demographic characteristics and incomes/assets of different household members as well as by specific legal regulations and administrative rules of the welfare programme. The microsimulation model EUROMOD/SORESIS contains the Austrian part of the EU-wide model EUROMOD with specific adaptations to the tax-/benefit system in Austria. If a household's adjusted disposable income (and wealth) according to the underlying representative EU-SILC micro-data is below the modeled total household need (and the exemption limit for wealth) within the framework of monetary social assistance/minimum income benefit in the respective Federal State, the household is considered eligible. The size of non-take-up is estimated by comparing proportions of households that potentially fulfil the entitlement criteria in the simulation model with proportions of actually benefit-receiving households as well as the related expenditures.

decreased from 53% in 2009 to 30% in 2015. In terms of expenditure, non-take-up decreased from 51% to 30%. This means that while in 2009 114,000 households did not claim a total of EUR 423 million, those numbers decreased to 73,000 households and EUR 328 million in 2015. It can therefore be concluded that the reform had a considerable and significant impact for increasing participation rates.<sup>2</sup>

**Table 1: Overview of non-take-up 2009 and 2015\***

	2009		2015	
	Households (in 1,000)	Expenditure (in million €)	Households (in 1,000)	Expenditure (in million €)
<b>External</b>	102	407	168	765
<b>Simulated</b>	216	830	241	1,093
<b>Non-Take-Up</b>	53%	51%	30%	30%

Note: \* Scenario with incomes from capital and properties as proxy for wealth test.

Source: Authors' calculations based on EUROMOD/SORES; Pratscher, 2011, 2016.

The experts we interviewed in the context of the study confirm the quantitative finding that participation rates have increased with the introduction of minimum income benefit. According to their assessment the most important reform elements in this respect were the fact that applications for minimum income benefit can be made at the district headquarters providing a higher level of anonymity compared to municipality offices, the provision of health insurance in form of an electronic insurance card, and the introduction of minimum standards representing a binding benefit level. Additionally, the general coverage of the benefit reform in the media and in public discussions effectively promoted public awareness and provided information to a broad part of the population (Pfeil, 2018; Schenk, 2018; Stanzl, 2018; Kargl 2019).

**Take-up drivers are a lower poverty gap, low application costs and low psychological barriers.**

The experts also agree on the quantitative findings of our regression analyses, namely that pecuniary determinants measured by the poverty gap are among the most important drivers of take-up. The higher the potential amount entitled to in relation to the disposable income, the more likely is a claim of benefits. Additionally, lower application costs, approximated by a low education status, non-employment, migration background, lone parenthood, chronic health problems and renting instead of owning one's home increase the likelihood of participation. Finally, psychological costs like stigma are perceived to a weaker extent in larger communities.

<sup>2</sup> The statistical significance is confirmed by applying 95%-confidence intervals and sensitivity analyses on simulated needs.

## Further policy recommendations

The minimum income benefit currently still does not exhaust its full potential of redistribution. Under the assumption of full take-up in 2015, the at-risk-of-poverty rate as well as the Gini coefficient would drop by 0.7 percentage points.

Despite substantial improvements, some aims of the reform in terms of facilitating access to the benefit were not fully achieved, e.g. introducing an effective one-stop shop for receivers of low unemployment benefits. While the public discourse led to a more positive perception of the benefit and the number of complaints related to (incorrect) administrative practices declined at least shortly after the reform, stigmatising effects have steadily intensified and administrative processes partly resembled those of monetary social assistance in the following years (Pfeil, 2018; Schenk, 2018; Kargl, 2019).

In general, it is considered problematic to top-up low employment incomes or unemployment benefits with minimum income benefit, since both a certain stigmatisation and information deficit are still associated with it. Hence, many people concerned do not claim the potential top-up amount. Thus, following minimum pension top-up, a potential top-up amount – both in addition to low employment incomes or low unemployment benefits – could be granted within the system of unemployment insurance. Also, for families with children, a means-tested topping-up family benefit in addition to universal family benefits could be considered. In terms of coverage of housing costs, a complete separation of housing benefits from minimum income benefit and the sole provision of extended (general) housing allowances by the Federal States could be discussed. All these measures would increase the acceptance of such top-up benefits, both among entitled clients and the general population, and thereby ensure better accessibility and higher take-up. Finally, they would also save administrative costs and enable better political governance (Stanzl, 2018).

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