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**Social Assistance schemes and financial incentives to work: tradeoffs and consequences.
A European cross-country comparison.**

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Stream 8.2: 'Social Assistance'

Summary

The aim to remove barriers to employment by 'making work pay' featured prominently in reforms of the Social Assistance schemes that took place in many European countries during the last 15 years. Despite their apparently uniform rationale, however, the level and scope of these policies differ substantially. This is not least due to a basic dilemma between the distributional (combating poverty) and labour market (promoting employment) objectives pursued through tax and benefits systems. Furthermore, while some measures might increase the incentives to work for one target group they might lower incentives for others, as they interact with other elements of the tax and benefit system. Hence, the multiple objectives, dilemmas and trade-offs give reason to take stock after more than a decade of work oriented reforms of the Social Assistance schemes. Based on an analysis of the policy design in several European Countries and on EU-SILC data, the paper seeks to assess, firstly, to what extent today's Social Assistance schemes are adjusted to contribute to the dual objective of combating poverty and increasing incentives to work for their beneficiaries. The second aim is to put these results in the broader context of the labour market trends and policies that accompanied the reforms, as this context impacts both on the costs and effects of financial incentives and can contribute to explain the national varieties of tax and benefits designs. Finally, the paper takes a look at the consequences of the Financial crisis on making work pay policies. In recent OECD publications, the focus on financial incentives tends to fade while the need for social protection is reconsidered. Likewise, in periods of large involuntary employment the importance of labour supply in determining employment levels is weakened. Consequently, the context of the redistribution/incentives trade-off is modified in times of economic crisis.

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