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# Falling through the social safety net? Analysing non-take-up of minimum income benefit and monetary social assistance in Austria

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**Abstract**

Non-take-up of means tested benefits is a widespread phenomenon in European welfare states. The paper assesses whether the reform that replaced the monetary social assistance benefit by the minimum income benefit in Austria in 2010/11 has succeeded in increasing take up rates. We use EU-SILC register data together with the tax-benefit micro-simulation model EUROMOD/SORES. The results show that the reform led to a significant decrease of non-take-up from 53 to 30% in terms of the number of households and from 51 to 30% in terms of expenditure. Following the three-t's (threshold, trigger, and trade-off) introduced by Van Oorschot, estimates of a two-stage Heckman selection model as well as expert interviews indicate that the taken measures include both threshold and trade-off characteristics. Elements such as the higher degree of anonymity within the claiming process, the provision of health insurance, binding minimum standards, the limitation of the maintenance obligations, new regulations related to the liquidation of wealth, as well as the general coverage of the benefit reform in the media and in public discussions led to an improved access to the benefit.

**KEYWORDS**

data and research, income distribution and income policies, qualitative, quantitative, social protection and security

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## 1 | INTRODUCTION

The degree to which benefits reach the desired target groups has become a key performance indicator of social protection programs. International organizations like the Organization for Economic Cooperation and Development (OECD) and the European Commission call for “well-targeted income-support policies” (OECD 2011, p.40) that reach those in need at times when they need support (European Commission, 2013). However, in many well-developed welfare states, means-tested benefits tend to be characterized by access and non-take-up issues, that is, failing to reach the defined target groups and to encourage eligible households to claim financial support (Eurofound, 2015; Matsaganis, Ozdemir, & Ward, 2014; Warin, 2014).

The causes of non-take-up are manifold and can be driven by individual concerns and personal moral beliefs of eligible individuals but may also point to a failure of the welfare system. The latter can be caused by non-transparent and complex schemes, poor information, or institutional barriers, which may in turn also strengthen subjective barriers (Eurofound, 2015; Kayser & Frick, 2000). Low take-up distorts the intended welfare effect of targeted social transfers (Bargain, Immervoll, & Viitamäki, 2012) and prevents the welfare state from successfully combating poverty. Especially for benefits of last resort, the consequences of this failure can be severe as it amplifies disparities within the society as well as among eligible clients if some are discouraged from claiming by structural or individual barriers. This can have long-term financial and social consequences as persistent poverty and precarious financial circumstances contribute among others to chronic health problems and reduce equal opportunities for children growing up in affected households (Eurofound, 2015; Hübelin, 2016). From a social policy point of view, non-take-up reduces the capacity to anticipate social outcomes and financial costs of policy reforms as in the case of high non-take-up rates the number of benefit recipients is only of limited informative value (Engels, 2001; Hernanz, Malherbet, & Pellizzari, 2004; Kayser & Frick, 2000). On the other hand, a less problem-focused interpretation describes non-take-up as a selection process that encourages those with the most prevalent support needs to claim the benefit, whereas it excludes people with less severe needs (Bargain et al., 2012). This, however, assumes that barriers of non-take-up are solely driven by economic deprivation rather than institutional and societal factors.

This paper exploits the 2010/2011 social assistance benefit reform in Austria to analyse how welfare states can shape take-up. The main aim of the policy change was to combat poverty by introducing nationwide binding uniform standards and facilitating access to the benefit. As such, increasing the take-up of the benefit of last resort was an inherent and important part of the reform. Our research aims at analysing whether the chosen measures have improved take-up and had an impact on barriers to claim the benefit. The analysis offers insights into the target efficiency of the benefit of last resort and evaluates the policy reform. We first compare the size of non-take-up for monetary social assistance in 2009 and the reformed minimum income benefit in 2015 to study the effect of the policy reform on non-take-up. Second, we analyse the social determinants of non-take-up and whether they have changed from one benefit system to the other. Our analysis furthermore contributes to the existing literature by using register data, which allows us to reduce the potential measurement error in reported incomes, a main source of bias in research on non-take-up of means-tested benefits (Frick & Groh-Samberg, 2007; Hernandez & Pudney, 2007; Matsaganis, Levy, & Flevotomou, 2010). The analysis is based on Austrian European Union statistics on income and living conditions (EU-SILC) data together with the tax-benefit microsimulation model EUROMOD/SORES, which allows us to simulate the intended effect of the benefit and to compare it with the actual situation. We furthermore apply a mixed method design to complement the quantitative estimations with a qualitative in-depth analysis of the reform and potential further improvements using expert interviews.

The paper is organized as follows: after an introduction of the Austrian benefit of last resort in Section 2 and a literature review on the extent and the determinants of non-take-up in Section 3, Section 4 describes the data and method used for the empirical analysis. Section 5 discusses the results leading to the conclusions in Section 6.

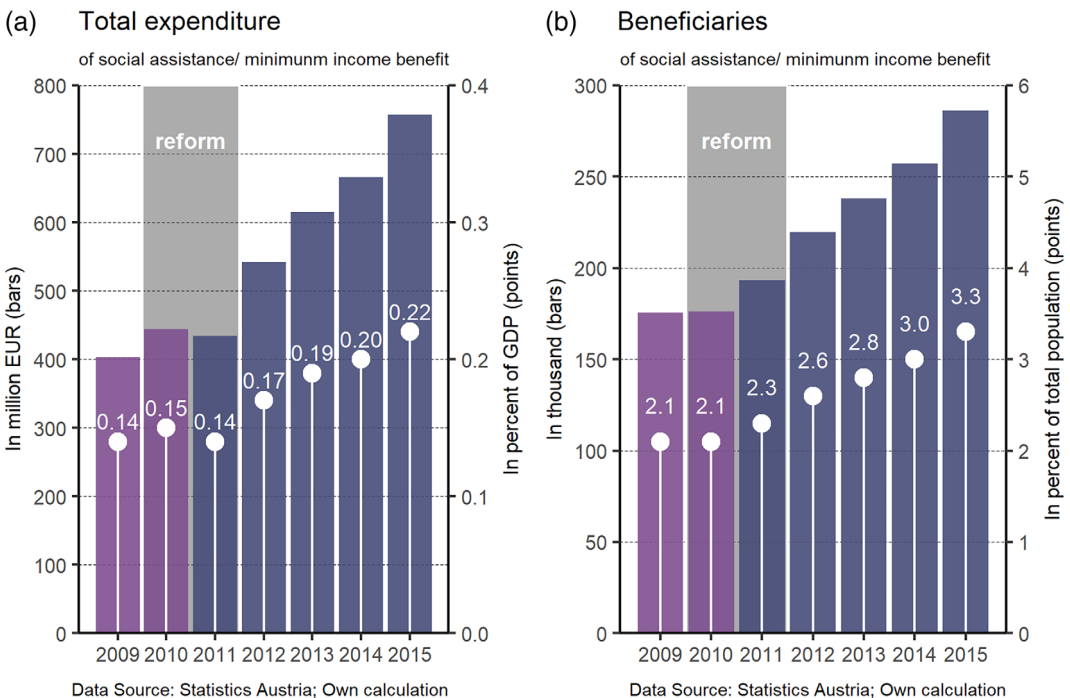
## 2 | BENEFIT OF LAST RESORT IN AUSTRIA AND THE 2010/11 REFORM

The Austrian benefit of last resort is a universal benefit in terms of coverage based on subjective rights and diversified at the local level, in contrast to other European countries with categorical coverage based on rather discretionary rights defined at the national level (Crepaldi, da Roit, Castegnaro, & Pasquinelli, 2017). This holds for the social assistance as well as the minimum income benefit that replaced the social assistance scheme in 2010/11.

Individuals are legally entitled to the benefit if they lack sufficient means for subsistence and housing from their own resources, resources of their (nuclear) family, from other prior-ranked benefit entitlements, or support through other means. The eligibility of the benefit is conditional on an income and wealth-based means test as well as on the willingness and availability to work if the beneficiary is of working age and fit for work. The benefit is administered by the nine Austrian Federal States (Länder) and financed by general taxes. A detailed overview on the policy rules and benefits amounts before and after the reform is provided in the Appendix (Tables A2 and A3).

The reform of the social assistance benefit in 2010/11 changed the narrative of the benefit by renaming it to minimum income benefit. Although the core of the benefit remained the same, the reform tackled important issues like increasing the benefit amount to the level of the minimum pension top-up, limitation of the maintenance obligation to the nuclear family, new regulations related to the liquidation of wealth, and the integration of beneficiaries into the public health insurance scheme (BMASK, 2012; Dimmel & Pfeil, 2014; Dimmel & Pratscher, 2014; Stanzl & Pratscher, 2012). The reform also included improvements on the application side by providing more transparent and accelerated processes, more legal certainty, and an increased anonymity as claims can now be submitted at the district headquarters rather than at municipality offices only. It furthermore promotes a stronger focus on the reintegration of beneficiaries into the labour market. All reform changes together provide a strong argument for a barrier reducing effect as well as an improved take-up of the minimum income benefit.

Indeed, external statistics show clear signs of increases in the number of beneficiaries and government expenditure (Figure 1). In 2009, 174,000 persons, that is, 2.1% of the total population, living in 102,000 households received



**FIGURE 1** Recipients and expenditure of monetary social assistance/minimum income benefit

the benefit of last resort, leading to a total expenditure of EUR 407 million (0.14% of gross domestic product; Pratscher, 2011). Since the reform in 2010/2011, the number of beneficiaries and the total expenditure have steadily increased up to 284,000 beneficiaries (3% of the total population) living in 168,000 households and EUR 765 million (0.22% of gross domestic product) in 2015 (Pratscher, 2016). In an international comparison, the generally low number of recipients is driven by a comparably low (long-term) unemployment rate, and the unemployment assistance scheme that provides support for unemployed after their right for the unemployment insurance benefit has expired.

Around 70% of the benefiting households do not receive the full benefit but only the top-up amount between their income from other sources like unemployment benefits, maintenance payments or employment income, and the defined minimum income standard (Statistik Austria, 2019). This is due to the relatively high share of precarious employment with low earnings and unemployment benefits below the amount of the social assistance/minimum income benefit.

The increase in beneficiaries and expenditure provides another strong argument for an increase in benefit take-up. This increase may however simply be the artefact of worsening conditions—unfavourable labour market and economic developments—rather than the outcome of higher take-up rates. Additionally, the increase in the average benefit level (i.e., defined minimum income standard) rendered more people eligible for the minimum income benefit. The aim of this analysis is to shed light on these different assumptions related to changes in take-up behaviour after the reform.

### 3 | EXTENT AND DETERMINANTS OF NON-TAKE-UP

Empirical evidence from several European countries shows the considerable magnitude as well as the persistence of the problem of non-take-up of means-tested benefits (Table 1). Estimated rates range between 11% and 79%, with rates above 50% being no exception. In general, non-take-up in terms of claimants is higher than in terms of payments, as households are more likely to claim benefits if they are entitled to higher benefit amounts.

A broad body of literature (Anderson & Meyer, 1997; Blank & Ruggles, 1996; Engels, 2001; Eurofound, 2015; Hernanz et al., 2004; Kayser & Frick, 2000; Riphahn, 2001) provides theoretical models of the determinants of (non-) take-up. Among others, Van Oorschot's (1991) "three-t-model" (threshold, trigger, and trade-off) presents a theoretical approach that takes various actors (the claimant but also the case worker) and a wide range of factors contributing to non-take-up into account. As such, it provides a good starting point for the empirical analysis and the classification of results. He distinguishes between threshold characteristics, such as information about the benefit and a potential eligibility, and trade-off characteristics, that is, perceptions about one's need and stability of the situation, but also attitudes towards welfare, the benefit specifically and the application process. He furthermore introduces the concept of trigger events leading to take-up. Triggers can be a change in one's personal situation, such as income volatility, but also a more direct influence on the decision to claim through advice and more hands-on information about the benefit. As such, also the reform of the benefit itself may have been a trigger to some claimants.

Most empirical studies focus on trade-off characteristics. A basic hypothesis is that households apply for a certain social transfer if the anticipated benefit exceeds the anticipated costs, similar to a cost–benefit equation. This consideration relates to direct as well as indirect costs of applying, including both objective components like the level of benefit, the expected duration of receipt, information costs (about benefit and eligibility regulations as well as application procedures), administrative costs (e.g., queuing, filling forms, need to report detailed information to the welfare agency, and checks on the willingness to accept suitable job offers), and the uncertainty of success (Bruckmeier, Pauser, Walwei, & Wiemers, 2013; Eurofound, 2015; Hübelin, 2016) as well as subjective motives such as stigmatization, self-esteem, or personal moral beliefs (Frick & Groh-Samberg, 2007; Warin, 2014).

Empirical evidence of the covariates of (non-)take-up suggests that participation rates, that is, share of eligible claimants taking up the benefit, increase with higher degrees of need or deprivation. For households just below the

**TABLE 1** Estimates of non-take-up of social assistance benefits in Europe

Country	Benefit	Year	Claimants	Payments
Austria	Subsistence support (Hilfe zur Sicherung des Lebensunterhalts–HLU)	2003	49–61%	39–53%
Belgium	Minimum guaranteed income (Leefloon) 18–65	2005	57–76%	45%
Bulgaria	Guaranteed minimum income	2007	41–68%	
Czech Republic	Social allowances (Sociální doplatek)	1996	37%	
	Material need benefit (Sociální dávky hmotné nouze)	2010/11	72%	
Germany	Subsistence support (HLU)	2002	67%	57%
		2007	35–42%	
	Social assistance (Grundsicherung) for employable, for people 65+ and in cases of permanent earning incapacity	2007	42–50%	
		2008	34–43%	
Finland	Social assistance (Toimeentulotuki) by families of working age	2003	40–50%	
	Social assistance (Toimeentulotukea)	2010	55%	
France	Minimum guaranteed income (Revenu Minimum d'Insertion)	2001	35%	
	Active solidarity minimum income (Revenu de solidarité active)	2010	50–64%	
Hungary	Regular social assistance (Rendszeres szociális segély)	2003	43–45%	
Lithuania	Social assistance (Socialinė` pašalpa)	2011	68%	43%
Luxembourg	Minimum guaranteed income (Revenu minimum garanti)	2007	59–71%	
Netherlands	Supplementary minimum income (Aanvullende bijs-tand)	2003	68%	
Poland	General social assistance scheme (Pomoc społeczna)	2005	24–57%	
Portugal	Minimum guaranteed income (Rendimento mínimo garantido)	2001	28%	
Slovakia	Benefit in material need (Pomoc v hmotnej núdzi)	2009	79%	
Sweden	General social assistance (Ekonomiskt bistånd/ Socialbidrag)	2001	31%	
Switzerland	Social assistance Kanton Bern	2012	26%	
UK	Income support (and income-related employment and support allowance)	2009/10	11–23%	13%
		2013/14	19–23%	

Source: Bruckmeier et al., 2013; Eurofound, 2015; Fuchs, 2009; Hümbelin, 2016; Matsaganis et al., 2014.

eligibility threshold, the costs of claiming often do not pay off the utility from receiving the benefit (Bargain et al., 2012; Bruckmeier et al., 2013; Bruckmeier & Wiemers, 2010; Frick & Groh-Samberg, 2007; Hümbelin, 2016; Wilde & Kubis, 2005). Accordingly, administrative costs play an important role for take-up (Currie, 2004), whereas information costs seem to be of minor interest (Bruckmeier & Wiemers, 2010) and only relevant for cases at the margin of eligibility, for example, for individuals owning their home or being self-employed (Bargain et al., 2012). The literature is inconclusive to what extent stigma and related psychological barriers hamper take-up. Although some show that it significantly affects non-take-up (Frick & Groh-Samberg, 2007; Wilde & Kubis, 2005), others report only small effects (Bruckmeier & Wiemers, 2010; Currie, 2004). Independent of attitudes and economic structure, Hümbelin (2016) finds an effect of the population density, which he uses as a proxy for (lacking) anonymity. Additionally, he

points to the fact that households in areas with right-wing/conservative political preferences feature higher rates of non-take-up.

Although a distinction between different types of non-take-up is beyond the scope of the current analysis and available data, it should be mentioned that non-take-up is not only influenced by the actions and decisions of eligible individuals but also by the accuracy of administrative decisions, for example, errors in evaluation procedures, discretionary decisions based on loosely defined program rules, or responses to individual circumstances (Hümbelin, 2016; Matsaganis et al., 2014). This human error in the application process, leading to a rejection of actually eligible people, is defined as secondary non-take-up (Van Oorschot, 1991).

Following the literature and related available empirical evidence, we expect non-take-up to decrease considerably after the Austrian reform given the broad range of encouraging elements of the new benefit (changes in minimum standards, reduction of access barriers, and destigmatization).

## 4 | DATA AND METHOD

The presented results are based on Austrian EU-SILC data 2010 and 2016 (referring to income information for 2009 and 2015) provided by Statistics Austria; 2009 marks the last year in which monetary social assistance was part of the legal framework in all Federal states. The data for 2015 were the latest data available at the time of analysis and selected to provide a timely assessment of the non-take-up incidence. In 2012, the collection of the Austrian EU-SILC data has been changed from survey to register data. Data for 2008–2011 originally collected through interviews were reproduced using register data (Statistik Austria, 2014). This allows for a more accurate assessment of non-take-up rates, as the impact of potential measurement errors related to reported income data in surveys is reduced.

### 4.1 | Simulation of non-take-up

For the quantitative analysis of non-take-up, the tax-benefit microsimulation model EUROMOD/SORES<sup>1</sup> is used. It contains the Austrian part of the EU-wide model EUROMOD (Sutherland & Figari, 2013) with specific adaptations to the tax-benefit system in Austria (Fuchs & Gasior, 2014). The areas of policies covered include social security contributions, income tax, and cash transfers. For the current study, the model has been expanded to cover the detailed policy regulations for monetary social assistance in 2009 and minimum income benefit in 2015 for all nine Federal States, whereas the standard model includes the rules for Vienna only.

The simulation of the benefit starts with the assessment of the income needs of all households by calculating the theoretical eligibility. Income needs are assessed on the basis of socio-demographic characteristics of each household member by taking the region-specific legal regulations and administrative rules of the program into account. The basic monetary need of each household member is increased by additional special needs related to age, disability status, presence of children in the household, as well as needs for housing and heating. Housing costs are included using housing costs observed in the data up to the household-specific maximum amount stipulated by each Federal State.

In a second step, the actual income situation of households is assessed. Social insurance contributions and income taxes are deducted from gross household incomes, consisting of employment income, self-employment income, other market incomes, and public pensions as reported in EU-SILC. Cash transfers are added to the simulated net market incomes. For a better effigy of reality, monetary transfers are directly taken from the data with the exception of family allowance and child tax credit. This avoids an increase in the scope of errors as the simulation of other cash transfers would add the problem of non-take-up of prior-ranked benefits (Bargain et al., 2012).

According to specific means test regulations in the respective Federal States, the level of the household disposable income is adjusted by deductible incomes (e.g., transfers like family allowance, child tax credit, and care benefit)

and deductible expenditure in the form of maintenance payments. If the household's adjusted disposable income is below the calculated total household need, the household is considered eligible for minimum income benefit or monetary social assistance in terms of the means test related to incomes.

In practice, the eligibility for the benefit is not only based on the income situation but also on the wealth possessed by the household. Unfortunately, the underlying EU-SILC data do not contain sufficient information in this regard. Thus, non-take-up rates are estimated by using a proxy for the wealth test: households are regarded as non-eligible if their incomes from interests, dividends, capital investments, and property exceed the stipulated thresholds in the Federal States assuming a certain interest rate.<sup>1</sup>

The size of non-take-up is estimated by comparing proportions of households that fulfil the entitlement criteria in the simulation model with proportions of actual benefit-receiving households. Non-take-up is hence defined as

$$\text{Non-take-up} = 1 - \frac{\text{Number of households receiving benefit}}{\text{Number of households simulated eligible}}.$$

Accordingly, the fiscal impact of non-take-up can be assessed by comparing actual benefit expenditure to simulated expenditure. Due to undercoverage of benefit receipt in the EU-SILC data,<sup>2</sup> which would lead to an overestimation of non-take-up rates, the reference figures for actual recipients and expenditures are taken from administrative statistics.

The reliability of the simulation depends on the availability of all parameter information required in the claiming process in the underlying microdata. Given that the regulations are quite complex, household needs and income as well as wealth tests cannot be simulated in all details. A number of potential sources of error inherent to the available data need to be considered. Households in EU-SILC data are not perfectly congruent with the specification of benefit units defined by the legal framework, thus about 10% of the respective benefit units are not covered by the analysis (Frick & Groh-Samberg, 2007). Furthermore, the information on citizenship and residential status in the data does not allow a clear assignment of eligibility. Therefore, all persons in the dataset are assumed to be eligible with regard to their legal status.<sup>3</sup> There is no information on monthly income, and calculations have to be based on average monthly values for all income sources. Thus, only average annual eligibility can be simulated while ignoring income volatility during the year. As a consequence, some households might be defined as generally non-eligible (or eligible), although they might have been eligible (only) during some months of the year in reality. Errors may result especially for households with self-employed or temporary unemployed members who are more prone to income fluctuations during the year (Bruckmeier and Wiemers, 2011; Bruckmeier et al., 2013). Additionally, information on actual housing and heating costs can be error prone as a consequence of the data collecting process via interview, while further deductible expenditures and potential maintenance entitlements against persons outside the household are not captured in the underlying data at all. Still, the parameters of the benefits of last resort and the characteristics of the potentially eligible households are depicted as detailed as possible in the simulation model.

In order to test the robustness of the simulated results, several validity and sensitivity checks are performed. To provide a robustness test for the wealth condition, two additional scenarios, one without a wealth test and one where home ownership is considered as a proxy, are evaluated. Additionally, beta error rates, defined as the share of households who report the receipt of the benefits of last resort in the survey of those simulated as non-eligible, are calculated. The sensitivity of the simulation model is evaluated by increasing or decreasing the modelled needs by 5–15%.

## 4.2 | Regression model

In the second part of the analysis, drivers of non-take-up are assessed. Due to a potentially nonrandom selection process (e.g., of non-employed) into eligibility to the benefit, a limitation of the regression analysis to the group of

eligible households might introduce a bias to resulting coefficients. To account for this possible endogeneity bias, a two-stage Heckman selection model is used (Heckman, 1976).

In the first step, the selection equation explaining eligibility is calculated. Here, all households of the dataset are included. Those simulated as eligible for monetary social assistance or minimum income benefit take the value 1, those who are not the value 0. The explanatory variables of the selection model include the activity status of the household head (employed, unemployed, inactive, or retired), as the participation in the labour market is considered an important factor in terms of eligibility. In addition, homeownership and personal characteristics like the number of children below the age of 18, age specified in a quadratic term as well as the highest education level achieved by the household head, are included in the selection model.

In the second step, only households considered eligible are kept for the analysis explaining (non-)take-up. The dependent variable takes the value 1 if an eligible household does not receive the benefit, that is, non-take-up, and 0 otherwise. The activity status, education, as well as homeownership used in the selection equation are included in the list of explanatory variables again. Other household characteristics controlled for in the regression are the composition of the household, the country of birth, and the sex of the household head as well as the size of the municipality. The income gap to the minimum income standard is used as a proxy of the degree of neediness of a household and measured as follows:

$$\text{Income gap} = \frac{(\text{simulated needs} - \text{allowable incomes})}{\text{simulated needs}} * 100.$$

It takes a positive value for all eligible households as their simulated needs per definition exceed their allowable income. The maximum value of the variable is 100 in case a household has no allowable income. To produce consistent coefficients, the estimated probability of not being eligible is included as a regressor, hence, endogenizing the potential selection bias.

### 4.3 | Expert interviews

To check for plausibility, expert interviews discussing the empirical results were conducted as the last step of the analysis. The interviews were based on a semistructured interview guide to ensure the coverage of all relevant aspects. This qualitative approach not only validates the quantitative research results but also complements them by more in-depth knowledge of the experts as proposed by the methodological literature (see for example Schnell, Hill, & Esser, 1993). The experts provided an assessment of the efficiency of the reformed benefit and the institutional processes following the policy change. We were furthermore interested in an expert's evaluation of what problems still exist with minimum income benefit scheme and what could be done for further improvement.

The selection of the experts is based on their professional background with the aim to cover different perspectives, including that of a government official responsible for the benefit design and provision, of two non-governmental organizations representing benefit receivers and persons in need as well as of an academic researcher. We carried out three face-to-face interviews and one telephone interview:

- City of Vienna, Department "Social Affairs, Social and Health Law": Peter Stanzl, head "Reporting, Strategy and Communication", 3.12.2018;
- Austrian Poverty Network: Martina Kargl, socio-political consultant, 11.1.2019;
- Diakonie Österreich: Martin Schenk, deputy director, December 20, 2018;
- University of Salzburg: Walter J. Pfeil, professor for social law, December 17, 2018.



5 | RESULTS

5.1 | The effect of the policy reform on non-take-up rates

Our analysis clearly indicates a substantial impact of the reform in improving the target efficiency of the benefit of last resort. Comparing the situation in 2009 and 2015, estimated non-take-up rates dropped considerably from 53% to 30% in terms of caseload and from 51% to 30% in terms of expenditure. While in 2009, 114,000 households eligible for monetary social assistance did not claim and abstained from EUR 423 million; this number decreased to 73,000 households and EUR 328 million for minimum income benefit in 2015. The reform led to a significant increase in take-up rates confirmed both by the 95% confidence interval for the number of non-take-up households and by the sensitivity analysis where the simulated needs have been adjusted by  $\pm 5\%$  (Table 2).

Whereas beta errors amount to 30–40%, disposable incomes of respective households are comparably high. This indicates that the proxy of using households instead of benefit units constitutes a certain measurement error but also suggests that non-take-up rates are rather underestimated.

When using an alternative wealth test specification with home ownership as a proxy, non-take-up rates increase by about five percentage points in 2009 and 10 percentage points in 2015. If no wealth test is applied, non-take-up increases by about 10 and 20 percentage points (Table A1). Although this sensitivity analysis per se cannot test the validity of the chosen proxy for the wealth test, it shows at least that it reduces the number of households simulated as eligible to a significant extent.

Using EU-SILC data based on survey instead of register data for 2009 considerably reduces estimated non-take-up rates (caseload 42% and expenditure 40%). This is driven by significant over-reporting of incomes—in particular employment incomes—at the lower end of the income distribution (Statistik Austria, 2014). Thus, basing this analysis on register data clearly improves the quality of results.

5.2 | Drivers of (non-)take-up

The second part of the analysis focuses on population groups more likely to be eligible for the benefit and socio-economic characteristics driving take-up. The first step of the Heckman selection model explains eligibility for the benefit including all households (Table 3). As expected, households with an unemployed, inactive, or retired household head as well as households with a low-educated head are more likely to be eligible for monetary social assistance or minimum income benefit, due to subsequent lower incomes. For age, we find an effect on eligibility only in 2009 with young and old household heads being more likely to be eligible for the benefit of last resort, whereas the

**TABLE 2** Overview non-take-up rates 2009 (monetary social assistance) and 2015 (minimum income benefit)

	2009 monetary social assistance		2015 minimum income benefit	
	Caseload in 1,000	Expenditure in million	Caseload in 1,000	Expenditure in million
Actual (external)	102	407	168	765
Simulated	216	830	241	1,093
Non-take-up	114	423	73	328
Non-take-up (%)	53%	51%	30%	30%
CI (95%)	48–57%	—	23–37%	—
Needs $\pm 5\%$	49–58%	45–56%	22–38%	23–36%

Source: Authors' calculations based on EUROMOD/SORESI using EU-SILC 2010 and 2016; Pratscher, 2011 and Pratscher, 2016 for external information.

**TABLE 3** Regression output of the Heckman selection model

	2009	2015
<b>Selection equation</b>	<b>Dependent variable: Eligibility</b>	
Intercept	0.003(0.263)	−1.519*** (0.290)
Employment status (ref: Employed)		
Unemployed	1.049*** (0.113)	1.220*** (0.101)
Inactive	0.983*** (0.104)	1.231*** (0.106)
Retired	0.432*** (0.114)	0.363*** (0.127)
Education	−0.208*** (0.037)	−0.103*** (0.036)
Age	−0.056*** (0.010)	0.006 (0.012)
Age <sup>2</sup>	0.001*** (0.0001)	−0.0001 (0.0001)
Children in household	0.051 (0.038)	0.105*** (0.040)
Home ownership	−0.763*** (0.069)	−0.896*** (0.082)
<b>Output equation</b>	<b>Dependent variable: Non-take-up</b>	
Employment status (ref: Employed)		
Unemployed	−0.407*** (0.111)	−0.236 (0.362)
Inactive	−0.309*** (0.111)	−0.176 (0.367)
Retired	−0.058 (0.067)	−0.016 (0.090)
Household type (ref: Single)		
Lone parent	−0.135** (0.064)	−0.042 (0.092)
Couple without children	0.053 (0.051)	−0.043 (0.070)
Couple with children	−0.029 (0.067)	0.083 (0.090)
Income gap	−0.002*** (0.001)	−0.0004 (0.001)
Education	0.076*** (0.029)	0.071* (0.038)
Country of birth (ref: Austria)		
Other EU country	0.045 (0.050)	0.036 (0.071)
Third country	−0.058 (0.049)	−0.030 (0.061)
Home ownership	0.175** (0.087)	0.127 (0.288)
Male	−0.017 (0.038)	0.022 (0.052)
Municipality size	−0.012 (0.013)	−0.034* (0.020)
Constant	1.290*** (0.206)	0.854 (0.703)
Observations	6,183 (344)	5,996 (301)
R <sup>2</sup>	0.224	0.119
Adjusted R <sup>2</sup>	0.191	0.076
$\rho$	−0.597	−0.070
Inverse Mills ratio	−0.198* (0.116)	−0.028 (0.363)

Source: Authors' calculations based on EUROMOD/SORESI using EU-SILC 2010 and 2016.

Note: Marginal effects.

\* $p < .1$ ; \*\* $p < .05$ ; \*\*\* $p < .01$ .

number of children only explains eligibility in 2015. As expected, households owning their home are less likely to be eligible, as they are in many cases better off and do not pass the wealth test.

In the second step of the Heckman selection model, (non-)take-up is assessed for eligible households only. The relative income gap is used as a proxy for material urgency. The results only partly support the hypothesis of

pecuniary determinants: the higher the potential benefit amount, the more likely is the benefit claim in 2009 but not after the reform. This is in line with the finding that non-take-up in terms of claimants is higher than in terms of expenditure in 2009, whereas they are equally high in 2015. Explanations for this change could be the improvement of application processes and better information that decreased the costs of claiming the benefit.

Another proxy for application costs is the migration background defined as the country of birth. The overall explanatory power of the migrant status is rather weak, although experts point out that non-EU migrants are more likely to participate than EU migrants (once being eligible for the benefit) due to the lack of alternative resources outweighing potential information deficits (Stanzl, 2018).

We also control for household composition and find that in the specification for 2009, participation among lone parents is significantly higher than for single adults. Beside a higher acceptance probability by officials due to the special family situation also lower application costs (expected longer eligibility spell related to child care obligations) and higher family responsibilities (Schenk, 2018) might support the decision of lone parents to take-up.

The employment status yields significant coefficients in 2009, where households with an unemployed or inactive head have a higher likelihood to claim benefits than households with an employed head. This finding meets the hypothesis that those households are likely to have a higher degree of needs. Additionally, as they are in most cases already receiving welfare benefits, they may be better informed about their entitlements and, thus, have lower information costs. Also, the self-assessment related to later earnings potential may be rather pessimistic. On the other side, working poor, that is, households with an employed household head with low income, often abstain from claiming for top-up benefits as they might not be aware of the entitlement (Schenk, 2018). Again, there seem to be important changes to this behaviour and these assumptions after the reform. The employment status no longer constitutes a barrier to take-up after the reform which might point to a greater awareness of working poor about their rights.

In both years, lower educated heads are more likely to take up the benefit. The financial need of highly educated households often represents a short-term financial crisis, which can be bridged by other means like family resources, while claiming the benefits would contradict their self-perception (Schenk, 2018). An additional obstacle is the wealth means test (Kargl, 2019). Households owning their home are less likely to take up the benefit in 2009, as they assume that they must mortgage or even liquidate their house in order to be eligible for the benefit. This no longer constitutes a barrier after the reform due to a change in rules that might have reduced related uncertainties.

Basically, social and psychological costs are approximated by the size of municipality. We find a significant positive effect on take-up in 2015, which is somehow surprising given that the reform provided improvements that should result in reduced stigma. However, housing costs are considerably higher in urban areas, which could lead to higher benefit dependency and, thus, also higher take-up. At the same time, experts point out that information flows are better in bigger cities (Kargl, 2019). Thus, the size of the municipality might be regarded as an indicator going beyond the function as a proxy for anonymity.

Altogether, this suggests that the reform of the social assistance benefit has not only resulted in higher participation rates but has also significantly reduced barriers to take-up for specific subpopulation groups. Based on considerable improvements in overall take-up, non-take-up behaviour is less driven by observed characteristics than before the reform. However, the qualitative results shed light on still existing problems and needs for further action. Experts identify a persisting need for low threshold information and support in completing the benefit application for low-educated and deprived clients (Kargl, 2019). Additional support is also needed for low income workers and unemployment benefit recipients who often find it challenging to apply for the top-up benefit (Stanzl, 2018). Experts also point to unrealised elements of the reform, such as the introduction of an emergency aid to provide immediate support rather than receiving the benefit only after 3 months of legal decision period and the planned one-stop-shop for "able-to-work" recipients at the job centres (Schenk, 2018). Finally, the coverage of housing cost within minimum income benefit and/or within (general) housing allowances is still far from being transparent with very different practices across Federal States (Pfeil, 2018).

## 6 | CONCLUSION

The paper studies the effects of the 2010/11 social assistance benefit reform in Austria on non-take-up. The reform changed the social assistance scheme in place to the minimum income benefit which in substance is quite similar to its predecessor but introduced a more uniform and on average higher minimum living standard, accelerated and simplified the application process, and provided (better) inclusion into the health insurance scheme and labour market programmes, aimed at reducing access barriers and destigmatization of benefit recipients.

By studying the change in non-take-up, a problem that most means-tested benefits in European welfare states struggle with, this paper contributes to the existing literature in three ways: First, it offers insights into the target efficiency of the benefits of last resort in Austria before and after the 2010/11 policy reform. Second, it analyses the social determinants of take-up. Third, it contributes to the methodology of analysing non-take-up rates. By relying on register data but comparing results with estimates based on survey data, the underestimation of non-take-up due to misreported incomes in survey data becomes evident.

Results show that non-take-up of monetary social assistance in 2009 amounted to 53% in terms of caseload and 51% in terms of expenditure. In 2015, after the policy reform, estimated non-take-up rates of minimum income benefit dropped to 30% for both the number of households and expenditure. Applying several sensitivity analyses and taking confidence intervals into account, the results indicate that the reform has led to a significant increase in participation rates, that is, improved take-up behaviour of those in need of support.

Although results still confirm the considerable magnitude and persistence of non-take-up prevalence pointed out in previous literature, welfare states can tackle a considerable share of the problem. As also suggested in the literature, at least in the Austrian case, a significant part of non-take-up was caused by non-transparent and complex schemes, poor information, and institutional barriers—dimensions that the reform managed to deal with.

Following the three t's introduced by Van Oorschot (1991), the taken measures include both threshold and trade-off characteristics. Elements such as the higher degree of anonymity within the claiming process, the provision of health insurance, binding minimum standards, the limitation of the maintenance obligations, new regulations related to the liquidation of wealth as well as the general coverage of the benefit reform in the media and in public discussions led to an improved access to the benefit—shown by the increase in take-up and confirmed in more details by the analysis of the expert interviews. The new name has changed the narrative of the benefit as from social support to a social right to a minimum living standard (Pfeil, 2018). This may not only have contributed to a higher perceived eligibility (threshold character) and improved attitude towards welfare and the benefit but may have also been a trigger to realise that providing a minimum living standard is the inherent purpose of the welfare system.

Nevertheless, experts point to several still existing problems and provide guidance for future political action (Kargl, 2019; Pfeil, 2018; Schenk, 2018; Stanzl, 2018). This includes non-realised elements of the reform—that is, an emergency aid and a one-stop-shop for employable benefit receivers that would provide better support to people already receiving unemployment benefits or low employment incomes. In terms of coverage of housing costs, a complete separation of housing benefits from minimum income benefit and the solely 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. Finally, they would also save administrative costs and enable better political governance.

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## CONFLICT OF INTEREST

The authors have no conflict of interest to declare.

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## ENDNOTES

- <sup>1</sup> Based on empirical data (Statistik Austria, 2015; Statistik Austria, 2015), an interest rate of 4% in 2009 and 1% in 2015 is assumed.
- <sup>2</sup> Even in the EU-SILC register data for 2009 and 2015, information on the social assistance benefit and the minimum income benefit is not provided from registers but still from the declarations of the survey respondent. According to Statistics Austria (Heuberger, 2018), the under-coverage in the SILC-data is mainly due to an under-representation of the target group in the sample and due to non-reporting because of stigma. In addition, specific classification errors in terms of different social assistance type benefits may occur by respondents.
- <sup>3</sup> As the share of third-country nationals among simulated eligible households is almost equal to the share among actual recipients, it can be assumed that this type of error is negligible.

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## APPENDIX A.

**TABLE A1** Sensitivity analysis: Robustness check wealth test, variations in simulated needs

	Non-take-up caseload in %	Non-take-up expenditure in %	Beta error rate in % (non- weighted)
2009			
Scenario incomes from capital and properties as proxy for wealth test	53	51	40
Robustness check wealth test			
Scenario not eligible if homeowner	58	56	42
Scenario without wealth test	65	62	39
Variations in simulated needs <sup>a</sup>			
Needs +5%	58	39	56
Needs +15%	63	33	63
Needs –5%	49	40	45
Needs –15%	37	48	31
2015			
Scenario incomes from capital and properties as proxy for wealth test	30	35	30
Robustness check wealth test			
Scenario not eligible if home owner	41	34	40
Scenario without wealth test	48	32	44
Variations in simulated needs <sup>a</sup>			
Needs +5%	38	36	35
Needs +15%	48	46	27
Needs –5%	22	23	42
Needs –15%	–2	6	50

Source: Authors' calculations based on EUROMOD/SORESI using EU-SILC 2010 and 2016.

<sup>a</sup>Based on scenario accounting for incomes from capital and properties in wealth test.

**TABLE A2** Monetary social assistance: Minimum standards, rent allowances, heating allowances and clothing allowances according to Federal State and support status, 2009 in EUR

	Bgld.	Ktn.	NÖ	OÖ	Sbg.	Stmk.	Tirol	Vbg.	Wien
Single	473.6	506	532.3	569.5	464.5	540	459.9	514.4	454
unfit work old	534.5	556.6		590.1					733
		581.9							733
Head	391.9	379.5	467.5	514.7	418.5	492	393.5	432	352
unfit work	452.8	430.1		536					549.5
Other w/o FBH	285.9	379.5	257.3	333.9	268	329	273.7	275.5	352
unfit work	335.6	430.1		360					549.5
Other with FBH	140.3	151.8	144.3	160.4	155.5	166	152.9	159.8	135
10+ years		202.4							
unfit work	190								
Rent allowance									
1. Person		126.5	99.3 p.P.	115	380				272
2. Persons		151.8	w/o FBH		484				272
3. Persons		177.1	+41.3		637				288
4. Persons	reasonable actual costs	202.4		on special grounds more	728	reasonable actual costs	reasonable actual costs		288
5. Persons		227.7			819				305
6. Persons		227.7			910				305
7+ Pers.		227.7			910				322
Special payments	2*1	4*0.5	2*1	4*0.5	4*0.5	2*1	4*0.5	2*1	2*1 only if unfit to work
Heating allowance	special payment	177.10/ year	567.5/ year	350/ year	special payment	94.0/ year	extra	special payment	516/ year if fit to work
Clothing allowance	special payment	-	special payment	up to 1.5*MS	special payment	-	extra up to 385/ year	special payment	extra; if fit to work
Total upper limit	min, pension top-up	SR+ HA RA+	SR+ HA + RA+	SR+ RA+ HA+ CA	SR+ RA	SR+(RA) +HA+(min. pen. top-up)	SR+(RA) +HA+CA	SR+ (RA)	SR+RA+ HA+ CA
Assets	small cash amounts	7*MS	5*MS	-	10*MS	Ind. case	Ind. case	Ind. case	unfit to work
									3.5*MS, others 1*MS

Source: Own representation based on Federal states' laws/decrees on monetary social assistance; inquiries to the offices of the governments of the Federal States; Kammer für Arbeiter und Angestellte Wien, 2009.

Note: Except for Vienna, all long-term recipients receive the payments 14 times a year (i.e., two special payments in addition to monthly payments).

Abbreviations: CA, clothing allowance; FBH, family allowance; HA, heating allowance; MS, minimum standard; RA, rent/housing allowance.



**TABLE A3** Minimum income benefit: Minimum standards/incl. basic rent amounts, rent allowances, and heating allowances according to Federal State and support status, 2015 in EUR

	Bgld.	Ktn.	NÖ	OÖ	Sbg.	Stmk.	Tirol	Vbg.	Wien
Single+LP	828/207	828/207	828/207	903/149	828/207	828/207	621/-	623/-	828/207
1 unfit work	911/207								828/112
Spouse	621/155	621/155	621/155	636/74	621/155	621/155	466/-	466/-	621/155
1 unfit work									621/84
2+ unfit work									621/56
3rd Adult	414/104	414/104	414/103	442/-	-	414/103	310/-	310/-	
Adult w. FBH	248/62	414/104	-	402/74	-	-	-	181/-	414/103
<18 w. FBH	159/-	149/37	190/48	208/-	174/-	157/39	205/-	181/-	224/-
from 4th		124/31		180/-		190/48			
from 5th									
Rent allowance									
1. Person	-	-	-	-	380	399	480	565	309
2. Persons	-	-	-	-	484	544	730	645	309
3. Persons	-	-	-	-	637	622	730	740	324
4. Persons	-	-	-	-	728	699	865	845	324
5. Persons	-	-	-	-	819	777	865+	915	344
6. Persons	-	-	-	-	910	855		990	344
7+Persons	-	-	-	-	1,001+	932			362
Special payments									
					<18 w.	<18 w.	4*75 € per Person	-	2*1 MS if unfit work
					FBH 4*0.5 MS	FBH 4*0.5 MS			
Heating allowance	140/ year	160-230 /year	120/ year	-	150/ year	-	-	150-270/ year	-
Total upper limit	MS incl. BRA + HA	MS incl. BRA + HA	MS incl. BRA + HA	MS incl. BRA	MS incl. BRA + RA + HA	MS incl. BRA +RA	MS + RA	MS + RA + HA	MS incl. BRA + RA
Assets	5*MS p.HH	5*MS p.P.	5*MS p.HH	5*MS p.HH	5*MS p.HH	5*MS p.HH	5*MS p.P.	5*MS p.HH	5*MS p.HH

Source: Own representation based on Federal states' laws and decrees on minimum income benefit; inquiries to the offices of the governments of the Federal States; Kammer für Arbeiter und Angestellte Wien, 2015; Armutskonferenz, 2012; Mundt & Amann, 2015.

Note: In Sbg., Styria and Tyrol, all stipulated long-term recipients receive special payments.

Abbreviations: BRA, basic rent amount; FBH, family allowance; HA, heating allowance; LP, lone parent; MS, minimum standard; p.P., per Person; RA, rent/housing allowance.