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## DIFFERENTIATIONS IN STRUCTURES OF EMPLOYEES' RESOURCES: A COMPARISON OF EIGHT EUROPEAN COUNTRIES

by  
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**Differentiations in Structure of Employees' Resources : a Comparison of  
Eight European Countries**

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### **Introduction**

In current changes related to employment, income and welfare, several trends are well-documented such as the polarisation between work-rich households and work-poor households (Gregg and Wadsworth 2001, 2003), the growth of working poverty and low-paid employment (OECD 2000; Salverda and al. 2001). These features which are not common to all European countries but entrenched into different models, arise from employment structures and socio-economic changes over the last decades. Other transformations operate through welfare reforms and the implementation of active labour market policies. All in all, the links between labour markets and social protection systems have been deeply destabilised and reformed in Europe over the last two decades.

To contribute to the analysis of these changes, the research presented in this paper develops an innovative point of view. Using data from the European Community Household Panel (ECHP), the research analyses structures of employees' incomes, how they differ across countries, how they are related to socio-economics characteristics of employees, and how they have evolved over the last decade.

Section 1 reviews the main recent research in different disciplines related to the study of the linkages between employment and social protection. It highlights the relevance of analysing the structure of income, arguing that instituted forms of resources flows matter in the definition of employment status and social rights

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(Harvey, Maier, 2004). This approach addresses the issue of the relationship between the social division of labour and the social division of welfare underpinned since Titmuss's essay<sup>2</sup>. The main hypothesis here is that the nature of resources could be related to processes of labour market segmentation and social differentiation and used as an analyser of changes in employment and social rights.

Section 2 presents the dataset and methodology used in the analysis of employees' structure of income. The use of the European Household Panel (EHP) enabled to compare data for eight European countries and between two dates in the 1990s referring to income structure and socio-economic characteristics of employees. However selected population and information on income components present some limits for exploring the initial working hypothesis.

Section 3 then presents the main results of the cross-sectional analysis of income structure in each country and variations across social groups. It displays classification of countries according to income structure and examine differentiation across social groups. It proposes some elements to interpret national configurations of employees' income structure in relation with trends over labour markets and social policies in the different countries.

As a conclusion, the results are confronted with the ideal-types developed by the main influential typologies of welfare and employment regimes.

## **1. Correlations and Linkages between Welfare Regimes and Employment Systems**

Recent economic and social transformations in the European labour markets have put pressure on the links between employment and social protection. To simplify, social protection is no longer seen as a victim of labour market restructuring and instead is considered to be one of the causes of labour market rigidities. Such issues are at the heart of current European employment and social policies<sup>3</sup>. They are also part of a recently developed field of investigation in social sciences. Socio-economic studies deal with how the different European social protection systems

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<sup>2</sup> Titmuss R.M. (1958), *Essays on "The Welfare State"*, London : Unwin University Books.

<sup>3</sup> The European Employment Strategy has been set up in the beginning of the 1990s (Essen Council and Luxembourg Job Summit respectively in 1994 and 1997) and is activated through annual National Action Plans for Employment. The framework of the European social agenda has been established by the European Commission in June 2000 (COM (2000) 379).

respond to the development of flexible forms of employment, the changes in patterns of labour force participation, and the increase of unemployment and social exclusion<sup>4</sup>; whereas economic research concentrates on their influence on labour supply and demand, employment levels and economic growth<sup>5</sup>.

The contribution of comparative research in political sciences has been to point out societal configurations, logics and transformations of institutional arrangements of social protection organisation and provision. Many influential typologies of welfare regimes have been rooted into political analysis of the construction of social protection systems. Esping-Andersen (1990) first systematised differences across societal configurations which emerged from the way labour became de-commodified in different countries. He distinguishes “regimes” of Welfare State reflecting the respective role of state, market and family in providing welfare production, between “Scandinavian”, “Continental” and “Anglo-Saxon” welfare states. This typology is constructed according to three main dimensions : the rules that govern peoples’ access to benefits ; the levels of income replacement; the range of entitlements provided. This work indeed established a correlation between types of welfare states, social stratification and employment patterns but it presents two main limitations.

Firstly, it develops a top-down analysis of welfare state, as if processes of institution of employment and social protection have developed separately whereas in fact they have interacted with each other in order to sustain social rights. For Esping Andersen, the question is “*to study welfare states in their role of independent, causal variables : how do different types of welfare states systematically influence social and economic behaviour in advanced capitalism ? (...) The aim is to explore how such a central institution as the welfare state has come to influence events outside its traditional domain.*” (Esping Andersen, 1990, pp.141-142). To oppose this representation, an historical point of view highlights that the modern employment relationship and the social protection systems have been deeply interconnected since the industrial revolution and have matured together during the post-war period<sup>6</sup>. Social security schemes have been developed during the period of emergence of the wage relation linked to industrialisation and therefore they represent a twin

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<sup>4</sup> One can find a good representation of the various trends in this literature in Bosco and Hutsebaut (1997); European Foundation for the Improvement of Living and Working Conditions (1999); Paugam (1998); Esping Andersen and Regini, (2000); Gallie (2000).

<sup>5</sup> See for instance Atkinson and Morgensen (1993) about work incentives ; Scharpf (2000) about economic viability.

<sup>6</sup> Castel (1995); Friot (1998); Supiot (1999).

counterpart of employment regulation. The structural link between social protection and employment is partly based on the resources that flow through the wage relation which can be considered to have been pivotal in the construction of European welfare states.

For the second critic, one can refer to Titmuss who was the first to underline the constitutive relation between social protection and employment relationship and the consequences in terms of social division of welfare. He showed that there were different systems of welfare that operate in different social spheres to meet similar needs: “social” welfare identified to publicly provided funds and services; “fiscal” welfare consisting in allowances and reliefs from tax; “occupational” welfare that includes a whole range of welfare services provided by particular employers. The second critic to traditional analytical frameworks for welfare regimes is thus related to the ambiguous conception of de-commodification. Most of welfare studies focus on public social expenditures, overlooking a huge part of welfare provision. The distinction between state/family/market as welfare providers develops a restrictive conception of welfare state as being equal to public social expenditures whereas others public policies also aim to sustain social reproduction (eg. Tax exemption, tax benefits, employment subsidies). Moreover, a part of social protection is supported by market mechanisms (eg. pensions funds, private medical insurance). Here is the second ambiguity of the notion of de-commodification as it can be applied to income secured through market processes, even financial market processes. The extent to which social reproduction supported by market can still be considered as a de-commodification of labour has to be discussed.

These remarks highlight the relevance to take into account institutional forms of resources flows financing social protection when analysing links between employment and welfare. Considering that the wage relation is pivotal to the circulation of resources that finance the total social reproduction of labour in capitalist societies, one can argue that this circulation is shaped by institutional forms historically constituted and which determine the nature of the nexus between work and welfare at the core of the employment relation (Moncel and al., 2004). As a consequence of historical processes and in relation with the social organisation of labour, two essential dimensions of the work-welfare nexus are central in the analysis of the links between employment and social protection: firstly they have been organised according to a dominant institutional form in each country and therefore

they differ across country; and secondly they have been set within a specific division of labour and therefore they are non-homogeneous over the whole labour force.

In an attempt to explore the relevance of this analytical framework, the study presented here focuses on employees' income structure. The analysis aims to show how employees' income structures reflect differences in the links between employment and social protection systems and how they differ according to position within the social division of labour.

## **2. Data and Methods employed**

The project is based on the use of the European Community Household Panel (ECHP) dataset<sup>7</sup>. The aim is to compare the structure of employees' income across countries, to examine how income structure varies according to socio-economic characteristics, and to examine how these differentiations have evolved. The analysis thus combines three level of comparison: cross-country, cross-sectional, and cross-time.

The cross-country comparison aims to analyse to which extent social benefits income contributes to social reproduction of employees in each country. Differences between countries can be related to different models of employment and welfare regimes. A parallel issue here is to see if differences between social categories in terms of the share of social benefits in employees' income are stable across countries or not. The cross-sectional comparison aims to examine how employees' income structure is different according to traditional dimensions of labour market segmentation. Four set of characteristics are examined: individual characteristics (gender, age, family status); employment characteristics (employment contract and working time); occupational or social classes; and income classes. Finally the comparison between income structures in 1994 and 1998 aims to provide trends in evolution of the links between employment and welfare. This last point is based on a comparison between the first wave and the last wave available at the time of the study, that is to say wave 1 and wave 5 related respectively to year 1994 and year 1998.

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<sup>7</sup> Carried out at the research centre CEPS/INSTEAD (Luxembourg) in July 2002, the analysis has used Eurostat European Community Household Survey Users' Database (ECHP-UDB), version of December 2001.

As the ECHP data set enables to compare the share of public social benefit but gives no information about private social benefit, the analysis is thus concerned with the share of labour reproduction supported by social benefits. Do we assist a more or less “de-commodification” of labour force over the period ? Is this process similar across groups and across countries ? What are the factors, mainly social policies and socio-economic transformations that could explain these differences and transformations?

*Variables on Income components*

The study focuses on the structure of employees’ resources and the employees’ income package which includes income from paid work, social benefits related to the individual position and those related to the household status, and non-work income related to capital and private transfers. The data used in ECHP are total net annual incomes received the year prior the survey (except for France - gross income). The total income includes all social transfers and can be split between net income from work, non-work private income and social receipts (table 1).

Table 1 - Annual net income structure as described in ECHP

Total net income	Components
Total net income from work	<ul style="list-style-type: none"> <li>- Wage and earnings</li> <li>- Self-employment earnings</li> </ul>
Non-work private income	<ul style="list-style-type: none"> <li>- Capital income</li> <li>- Property/rental income</li> <li>- Private transfers received</li> </ul>
Total social insurance receipts	<ul style="list-style-type: none"> <li>- unemployment related benefits</li> <li>- old-age/survivors’ benefits</li> <li>- sickness/invalidity benefits</li> <li>- education-related allowances</li> <li>- other personal benefits</li> <li>Family related social benefit:               <ul style="list-style-type: none"> <li>- family-related allowances</li> <li>- assigned social assistance</li> <li>- assigned housing allowance</li> </ul> </li> </ul>

*Analysing changes in structures*

As stated by Maitre and al. (2002), there are two different approaches for the analysis of the structure of income. The first one is labelled “mean share of total income” and involves to sum up over all the population the amounts received from a specific source of income and to express this aggregate as a percentage of the total income. This method is appropriate if one seeks to study the percentage of total income



coming from various sources. The second approach is designated the “mean of shares” approach.. It is based on the calculation of the percentage share of each of the different source of income for each individual, and then average these percentage shares over all the population. In this case, all the individuals have the same weight and the method give a picture of the average structure income for a group of population. It is this approach which is used here as we want to focus on specific groups and compare them to the whole waged population.

### *Selected Population*

The population to be observed corresponds to individuals receiving wages and salary related to their position in waged dependant employment. Selection of the population is based on the variable indicative of the status in employment (itself based on the ILO definition of main activity - normally working), and that should be either working with an employer in paid employment or working with an employer in paid apprenticeship. Thus the sample of population is quite reduced but enables to focus on income structure of employees.

However, people being employed at the time of the survey, could have been out of paid employment the year before. According to Maître and al. (2003), the situation at the time of the survey is a very good proxy for the individual situation over the year. Another approach of this bias is to consider mobility on labour markets.

All in all, transitions on labour market concern a small part of the labour force. Between December 1994 and December 1995, 16% of the population aged 16 and over have had at least one transitions on the labour market, and one quarter of this transitions are related to inflows into dependant employment (Kruppe, 2002). This result is consistent with other measures of labour market transitions using the European labour Force Surveys. According to O’Reilly and Bothfeld (1996), the level of transition was fairly low between 1993 and 1994: on average 2% of the European labour force moved from unemployment to full-time employment and 0.7% moved to part-time work. Reciprocally in 1994 2.7% of the full time workers came from the unemployed compared to 7% of the part-timers.

Schomann and Kruppe (1996) have examined the changes in transitions flows between 1993 and 1995 and the differences between countries. The following table showed that the level of entry flows into employment ranged between 8.5% of wage earners in Germany to 17 % of wage earners in Spain, the main flow coming from unemployment.

Table 2 - Transition into employment as a % of wage and salary earners

	Germ.	Den.	NL	F	UK	It	SP	Port
1992	7.2	10.1	10.2	9.9	9.8	12.3	15.7	8.1
1995	8.5	12.8	9.5	11.0	10.9	13.0	17.0	8.3

Source: Schomann and Kruppe (1996).

### **3. Analysing the structure of employees' income**

#### 3.1. Differences in employees' income structure across eight European countries

In all countries, the major part of income is no surprisingly related to work with an average share of work income close to 90% of annual income (table 3). For 1997, the percentage ranges between 84% in the UK at the bottom of the distribution, and 96% in Italy at the top. One can distinguish three groups of countries classified by increasing proportion of work-related income and decreasing part of social benefits income. The first group is composed by Denmark and the UK where the share of work-related income is inferior or equal to 85% and the share of social benefits superior to 10 % of annual income. It is interesting to notice that, whereas these two countries are usually classified in two different groups in traditional welfare studies (social democrat versus liberal type of welfare regime), social protection systems have similar effects on employees' income structure.

In the second group are countries in which annual employees' income contents between 85 and 90% of work-related income and between 10 and 5 % of social benefits. These countries are the Netherlands, Germany and France, traditionally classified as Bismarkian welfare regimes where entitlements to social rights are strongly related to participation in employment and family structure.

The third group gathers Spain, Portugal and Italy where work-related income counts for more than 90% of employees' annual income and social benefits accounts for less than 5%. This position is coherent with the situation of Southern countries usually characterised by a weak level of social protection.

Table 3 – Structure of employees’ annual income 1997

	Income from work	Private transfers	Social Benefits	Family-related social benefits	Total Income
UK	83,9	5,5	5,8	4,8	100
DK	85,1	1,7	8,3	4,9	100
NL	88,7	2,5	4,5	4,3	100
D	88,7	3,1	3,5	4,7	100
Fr	88,9	2,3	4	4,8	100
Es	91	4,2	4,4	0,4	100
Pt	94	0,6	3,5	1,9	100
It	95,9	1,5	2	0,6	100
Ensemble	89,7	2,7	4,3	3,3	100

Source: ECHP wave 5.

Using common categories, this hierarchy of countries could be related firstly to the distinction between Beveridgien versus Bismarkien models of social protection opposing Denmark and the UK to the other European countries; and secondly to the level of intervention of social protection which distinguishes the Southern countries. However, it has to be noticed that income data do not include all social transfers, especially in relation to family benefits which are partly delivered in kind. According to ESSPROS data, countries which are situated above the European average in per capita cash benefits provide more than 70 % of family benefits in the form of cash payment (Abramovici, 2003). Obviously, family benefits are underestimated when considering individual income but they are also misperceived in social security accounts as in some countries, like in the UK case, family tax allowances are an important component of family benefits and are not accounted for social benefits in the ESSPROS dataset.

Another approach of the impact of family status is to consider the social benefits in individual incomes related to family status. These are quoted in the database as: family-related allowances, assigned social assistance and assigned housing allowance. The share of these family-related social benefits (FRSB) in the share of social benefits income provides an indication of the extent to which social income perceived by employees is related to their family status. In average, FRSB accounts for more than 40 % of social benefits, and the countries are contrasted according to the group to which they belong.

The proportion of FRSB is higher in the second group of countries (NL, D, F) where it represents more than 50% of social benefits. This figure states the traditional importance of family allowance in the reproduction of workers in these social protection systems. The two countries in the Anglo-Nordic group present contrasted positions with the share of FRSB being more than 45% in the UK whereas it is less than 38% in Denmark. This opposition can be related to the development of in-work family and means-tested benefits in the UK whereas the Danish welfare system tends to remain more universalistic. In the Southern countries, traditionally not characterised by a high coverage of family social needs, the share of FRSB is very low in Spain, close to one quarter in Italy and nearly similar to the Danish level in Portugal.

Comparing employees' income structure between 1993 and 1997, few changes are to be noticed (table 4). The grading of countries is stable but some evolutions occurred within the two first groups. In the UK, the share of work-related income has slightly decreased whereas it has increased in Denmark. Moreover, the share of social benefit has also decreased in the UK and this is compensated by an increase in the share of private and capital transfers. In the second group, the share of work-related income has increased in France to the expense of social benefits, and the reverse trend is visible for the Netherlands. Few changes are noticed for the group of Southern countries.

Table 4 – Changes in Structure of employees' annual income, 1993-1997

(in points of % of total income)	Income from work	Private transfers	Social Benefits	Family-related social benefits
UK	-1.6	2.6	-0.7	-0.3
DK	1.8	-0.8	-1.4	0.4
NL	0.2	0.5	-1.6	0.9
D	1	-0.9	-4.3	4.2
Fr	2.8	-1.4	-0.3	-1.1
Es	-0.1	1.6	-1.5	0
Pt	-0.9	-0.1	1	0
It	0.6	-0.4	-0.7	0.5
Ensemble	0.4	0.1	-1.1	0.6

Source: ECHP, wave 1 and wave 5.

In order to make sense of these observations, it is interesting to put into perspective transformations in employees' income structures and changes in employment and labour market participation (See annexe for graphes on changes in employment volumes and evolutions of activity and unemployment rates). One can expect that increasing share of work-related income is an evidence of dynamism of labour markets. The more working age population is in employment, the less people should have to rely on social benefits. However, the pattern is not so clear.

Over the 1990s, all the observed countries displayed parallel trends in terms of employment volume changes (graphe 1). The progression of the employment volume slowed down till 1993, a year when evolution of employment volume was below zero in all the countries; and then grew again with a more or less rapid and steady rhythm, with the remarkable exception of Germany where employment evolution turned back to positive figures only in 1998. Despite quite similar trends in employment evolution, activity and unemployment rates evolution were quite contrasted across countries (graphe 2).

In the first group of country, Denmark and the UK show similar patterns of evolution: unemployment rates were the highest of the last decade in 1993, above 10 % in both countries and they have decreased since then; in 1997 they were up to respectively 5.6 % in Denmark and 7 % in the UK; during the same time, activity rates were also reducing. However, the share of work-related income for employees decreased in the UK and increased in Denmark, meaning that employment evolution and social benefits changes occurred according to very different patterns in the two countries.

Similarly, in the second group, the French case provides another example of ambiguous relationship between income structure and labour market evolution. Opposite to the UK, the share of work-related income in employees' total resources increased between 1993 and 1997 whereas unemployment rate remained quite high and steady over the period and activity rate remained quite stable. In Germany and in the Netherlands, structures of employees' income displayed little changes between 1993 and 1997. Unemployment rate increased continuously in Germany whereas in the Netherlands it started decreasing in 1995. The German specific situation is to relate to the reunification process between East and West Germany engaged in the beginning of the 1990s. Opposite to the previous countries, the activities rate were on the rise over the period in these two countries.

Finally, labour market transformations in Southern countries were important but there were no big changes in employees' income structure. Activity rates started increasing in the three countries in the mid-1990s and unemployment rates started decreasing steadily at the same period (except for Italy), but the share of income from work in total annual income of employees didn't progress, neither did the share of social benefits.

### 3.2. Influence of socio-economic dimensions on employees' income structure

The analysis turns now to examine differentiations in employees' income structure across socio-economic groups. Dimensions to distinguish these groups are related to those considered traditionally as related to segmentation on labour markets: age, gender, employment status, social class and wage level.

#### *3.2.1 Individual characteristics*

We are concerned here with the differences in income structure between employees according to gender and age. Being a woman or being under 30 are two individual characteristics usually associated on labour markets with lower participation rate and secondary jobs; women and young people are over-represented in part-time, temporary, unskilled and low-paid jobs (Drenzel and Rubery, 2002). Comparing income structure for these employees to the average structure of income, one would expect a lower share of income related to work and an higher share of social benefit.

Indeed that is the case in almost all the countries but with huge variations between them (table 5). The indicator used here is the mean share of social benefit in total employee's income. Globally, differences between categories of employees' population are larger in the countries providing more social benefits, that is to say the UK, Denmark, the Netherlands and France, at the noticeable exception of Germany.

Table 5 - Mean share of social benefit in total income by gender and age

	Female Employees (1)	Employees under 30 (2)	All employees (3)	Ratio (1)/(3)	Ratio (2)/(3)
UK	15.2	11.2	10.6	1.43	1.06
DK	16.9	21.3	13.2	1.28	1.61
NL	10.4	10	8.8	1.18	1.14
D	8.8	8.7	8.2	1.07	1.06
Fr	7.9	15.1	8.8	0.90	1.72
Es	5.2	4.2	4.8	1.08	0.88
Pt	6.6	3.8	5.4	1.22	0.70
It	2.9	1.5	2.6	1.12	0.58
Ensemble	9.1	8.7	7.6	1.2	1.14

Source: ECHP, wave 5.

All in all, the countries clustering is not different for female employees as women have the highest share of work-related income in Beveridgien countries and the lowest in the Southern countries. However, specificity of female income structure is more pronounced in the UK and in Denmark, showing that gender has more influence on income structure in these countries. The share of social benefit in female employees' income is almost 50% higher than average in the UK and 30 % in Denmark.

This gender bias in the share of social benefit in employee' total income is to be related obviously to women employment patterns in terms of participation to the labour market and part-time work. Denmark and the UK display some of the highest rates of female part-time work, and with a concentration in small duration of working hours in the UK. This could explain the importance of social benefits as a complementary income to low wages. However, the level of female part-time is even higher in the Netherlands where two-third of female employees was working part-time in 1997. In France and in Germany, the level of part-time in women employment has increased quite steadily and accounts for respectively 30.9% and 43.4% of female employment but at the same time, the share of social benefit in female employees' income was decreasing in the two countries. These features emphasise that differences in income structures relate more to welfare provision systems than to employment forms. However, keeping in mind that these data are built through individual

interviews, these results could also reflect differences in terms of individualisation of social rights for married women.

Concerning young employees, table 5 displays that age has the strongest impact on employees' income structure in France and Denmark. The share of social benefit in young employee's income is more than 50 % higher than the average employees. In 1997, these two countries displayed however very different unemployment rates for the labour force aged between 15 and 24 (respectively 29.1% in France and 8.2 % in Denmark) whereas youth participation in the labour market was quite similar (less than half of the 20-24 years old were in education/training). Obviously, the specificities of education and welfare systems interact to shape income structure for young people facing very different positions on the labour market. In Spain and in Italy where unemployment rates were even higher than in France, the share of social benefit income was lower than average for young employees and the youth have to rely more on private transfers.

Differences across countries for female employees' income structures have been reinforced since 1993 but with opposite tendencies. In the UK, there has been a general decrease of the share of social benefit in income for the employee population as a whole but this share remains stable for female employees. In Portugal, the progression of social benefit has been stronger than the average for women, and on the contrary the share of social benefit in total income for female employees has decreased more than on average in France and Germany. Finally, whereas young people's situation on labour markets was quite changing between 1993 and 1997 (decrease in participation, selectivity of unemployment), there is no important changes in the mean share of social benefit for young employees.

### *3.2.2. Employment Status*

Two indicators are available in the ECHP database to characterise employment status: the type of employment contract (non permanent versus permanent, indicator not available for the 1<sup>st</sup> wave) and the extent of working time (part-time versus full-time). These two dimensions are also central features of labour market segmentation. How do they influence the structure of income?

Actually, their impact is greater than the individual characteristics previously examined and it is different across the group of countries (table 6). In all the countries,



the share of social benefits is higher in annual incomes of employees in part-time jobs or in temporary contracts than in annual income of the employees' population as a whole.

Table 6 - Mean share of social benefit in total income by working time and employment contract

	Part time Employees (1)	Employees on temporary contrat (2)	All employees (3)	Ratio (1)/(3)	Ratio (2)/(3)
UK	22.6	21.2	10.6	2.13	2
DK	28.1	24.6	13.2	2.13	1.86
NL	13.3	18.2	8.8	1.51	2.07
D	9.7	21.5	8.2	1.18	2.62
Fr	16.4	24	8.8	1.86	2.73
Es	10	10.5	4.8	2.08	2.19
Pt	14	11.6	5.4	2.59	2.15
It	7.9	8.7	2.6	3.04	3.35
Ensemble	15.7	15.3	7.6	2.07	2.01

Source: ECHP, wave 5.

In the first group of countries (UK, DK), the specificity is higher for part-time employees than for temporary employees. The situation is different in the second group of countries (NL, D, Fr) in which the share of social benefit in annual income is more distant from the average for temporary employment than for part-time employment. Finally, in Southern countries, the share of social benefit in incomes of employees in atypical forms of employment is at least twice higher than for the employee population as a whole.

Explanations for these differences could be found in the nature and use of these two forms of atypical employment. To put it simply, temporary employment is typically a form of access to employment in France or Germany, thus people in this form of employment at the date of the survey are much more alike to have experimented unemployment during the year prior to the survey. Part-time work appears to be a more “stable” employment form, transitions rate being more important for part-time workers than for full-time workers but not to a drastic extent (O’Reilly,

Bothfeld, 1996). Part-time work involves part-time income and thus complement from social benefits are likely to be higher than average. This is particularly the case in Denmark and in the UK.

### 3.2.3. Social Classes

The indicator used to situated employees according to their social class is the socio-economic classification of occupations which is grouped in four main categories: professionals, technicians and associates (“Prof. And associated”), clerks and service employees (“clerks&services”), skilled and craft workers (“skilled workers”), unskilled elementary occupations (“unskilled workers”). The issue is to examine if the fact to be in a particular social class influences the structure of income, to what extent and if this effect is similar across countries. Basically one would expect an ascendant hierarchy based on the share of work-related income from lower to higher social classes. However this hierarchy is far from being clear as shown in table 7, and the differences between countries are significant of various links between social position and structure of income.

Table 7 - Mean share of social benefit in total income by occupational group

	Prof. and associated (1)	Clerks & services	Skilled workers	Unskilled workers (4)	Ratio (1)/(4)
UK	5.2	15.9	5.4	15.4	2.96
DK	16.6	28.6	9.1	19.1	1.15
NL	6	11	8.1	14.1	2.35
D	5.3	7.2	7.6	14.4	2.72
Fr	5.1	9.5	9.7	12.5	2.45
Es	1.8	3.4	6.9	8.1	4.5
Pt	2.8	6	4.6	7.4	2.6
It	4	4.6	7.6	9.6	2.4
Ensemble	5.2	9.9	6.9	11.6	2.23

Source: ECHP, wave 5.

In the first group of countries (UK and Denmark), there is an opposition between professionals and skilled workers on one side, and clerk & services employees and unskilled workers on the other side, the share of social benefit income being lower for the former group than for the latter group. The configuration is similar in the Netherlands, whereas in France and in Germany a hierarchy in terms of increasing part of social benefit income is more apparent, going from unskilled workers to professionals. In the Southern group, this hierarchy is even more marked but the level of the share of social benefit in annual income are much lower than in others countries. All in all, the ratio between the share of social benefit income of professional and the share of social benefit income of unskilled workers is the highest in Spain, in the UK and in Germany, whereas the three countries display various levels of social benefits and various ranking between occupational group.

One could explain these features by the fact that labour markets in the UK, Denmark and the Netherlands are traditionally organised on the basis of occupations and related occupational welfare schemes have been developed. Historical configurations have entrenched distinctions between occupations according to their level of access to occupational welfare mainly related to the nature and strength of trade unionism. For some occupational groups, benefits provided by occupational or private insurance funds may not be accounted in total income as social insurance receipts but either as work-related income or private transfers.

At the opposite, France and Germany display more homogeneity between social classes in terms of income structure in relation with a model of social protection which applies across occupations on a territorial basis. The same can be said about Southern countries which, despite the fact that social benefits level are low, relate to a similar type of organisation of social protection, especially concerning funding of and entitlement to social benefits.

The comparison with the situation in 1993 tends to reinforce the argument as the classification of countries seems to have evolve since then, with Germany and the Netherlands being closer to the occupational labour market model in 1993 than in 1998. France displayed a similar pattern of evolution than the Southern countries.

### *Wage and Income Levels*

Wage and income levels are the last but not least dimensions to examine differences in income structures and they could be considered as proxies for all the previous variables related to labour market segmentation. They actually have the strongest effect in terms of differentiation of income structure.

Table 8 displays two comparisons: a first one between the share of social benefit income for low wage employees and the share of social benefit income for all employees; a second one between the share of social benefit income for employees in the first quartile of annual income distribution and for employees in the third quartile.

Table 8 - Mean share of social benefit in total income by wage level

	Low wages (1)	All employees (2)	Ratio (1)/(2)	Q1* (3)	Q3* (4)	Ratio (3)/(4)
UK	11.3	10.6	1.07	23.2	3.7	6.27
DK	32.5	13.2	2.46	28.2	5.9	4.78
NL	9	8.8	1.02	14.4	8.9	1.62
D	10.9	8.2	1.33	15.3	6.6	2.32
Fr	15.4	8.8	1.75	17	6.6	2.58
Es	8	4.8	1.67	21.2	0.8	26.5
Pt	7.9	5.4	1.46	10.4	3.7	2.81
It	5.5	2.6	2.12	4.8	2.7	1.78
Ensemble	10.4	7.6	1.37	-	-	-

\*Q1 and Q3 design the share of social benefit in the total income for employees being respectively in the first and in the third quartile of annual income distribution.

Source: ECHP, wave 5.

Regarding low-wage employees, it is striking to notice the difference between the UK, where the share of social benefit in of low-wage earners is quite similar to the average one, and Denmark where this share is more than twice higher. Obviously, this is due to very different way to provide social benefits, and especially in the case of the UK where most of the support to low-wage earners goes through tax credits which are not visible through the ECHP data. These two countries display the highest difference between income classes: the share of social benefit in Danish employees' income from lower income class is nearly five times higher than the share for upper income class employees, and this ration is more than 6 in the UK.

In the second group of countries, differences between income classes are less marked. The share of social benefit is twice more important in employees' income when in the first quartile. Low-wage employees have an income structure close to the average in the Netherlands, slightly different in Germany; the gap is more important in France where the share of social benefits in low-wage earners' income is 75 % higher than the average. Finally, in the Southern countries group, differences between classes of income are very reduced except in Spain. This country has a specific position within the group in relation to the changes on labour market. In the late 1990s, the Spanish labour market is indeed characterised by both a high level of job creation and a high level of unemployment. Thus, within the population observed, people are more likely to have been unemployed during the year prior to the survey. In Portugal, one can notice the relative important share of social benefits for employees from the first quartile, almost three times the share for employees of the third quartile. However the level of social benefit in the total income remains very low, up to 10 %, the lowest level being in Italy with 5%.

Two main explanations could be provided. First, in all countries, an important part of the jobs created are situated at low-wage level, and in consequences people within low-wage jobs are more likely to have been unemployed the year before, and thus to have a higher share of social benefit into their annual income. Another explanation comes from the possible combination of work-related and social benefits in some specific cases, such as unemployment benefit or minimum income in France, in Spain and in Portugal. These situations do not exist as such in Germany and in the Netherlands.

In comparison with income data for 1993, the gaps between social classes seem less contrasted in 1998 in the UK and in Franco-German countries mainly because the share of social benefits decreased for the lower classes. The reverse trend occurred in Spain, and to a less extent in Portugal and Denmark.

## **5. Conclusion**

Developments in social policy, including the European strategy for employment and the European social agenda, have made the significance of the link between employment and social protection systems much more clear over the last decade. In relation to a classical topic in political economy, the question is to determine which

part of the total social reproduction should be sustain by participation in labour markets and social or private transfers.

In an attempt to provide insights in this way, our research using the ECHP database aimed to examine the extent of differences in income structures across countries and socio-economic groups. Differences in income structure could be read in several ways: degree of commodification; dependency towards social income and share of social distribution in the monetary reproduction of labour.

The research results in a ranking of countries coherent with the main typologies related to labour market and social protection. Employees' income structures differ across countries in relation to differences in the way employment and social protection systems are articulated: the share of income related to social benefits is higher in countries with universalistic Beveridgien systems and lower in countries characterized as more Bismarkien. Moreover, structures of income of the employed population are rather stable and it does not seem to exist a systematic causal relationship between income structure of the employed population and volume of employment, at least in the short term.

To explain tendencies of income structure differentiation between socio-economic groups would require a closer examination of changes in structure of employment, more particularly correlated changes in employment status, labour force characteristic and wage levels. Further research development would also be needed to analyse the effects of other characteristics on income structure, and more specifically household composition and transitions on labour markets. Finally, the fact that the lower classes of wage get more income out of social benefit and then receive a relatively more important part of more "visible" welfare (social expenditures), confirms once again Titmuss' statement about the relation between division of labour and division of welfare.

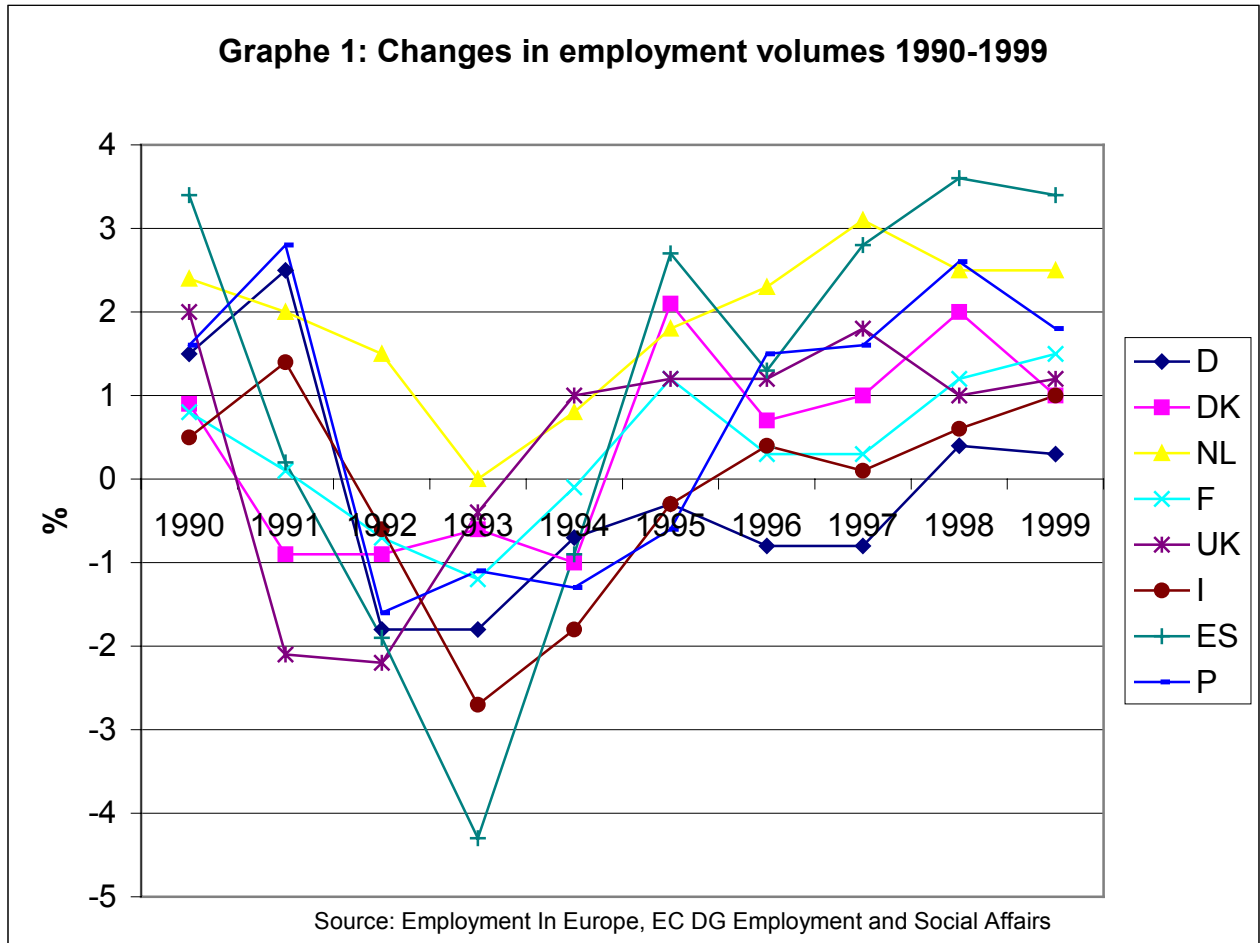
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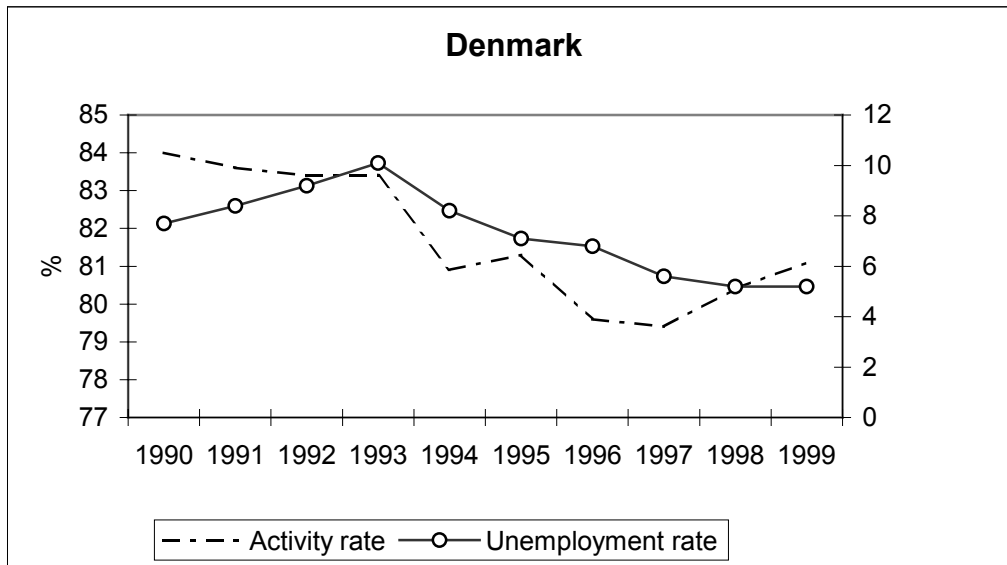
Annex: Statistical data on Labour Markets



## Graphes 2: Changes in Activity and Unemployment Rates 1990-1999

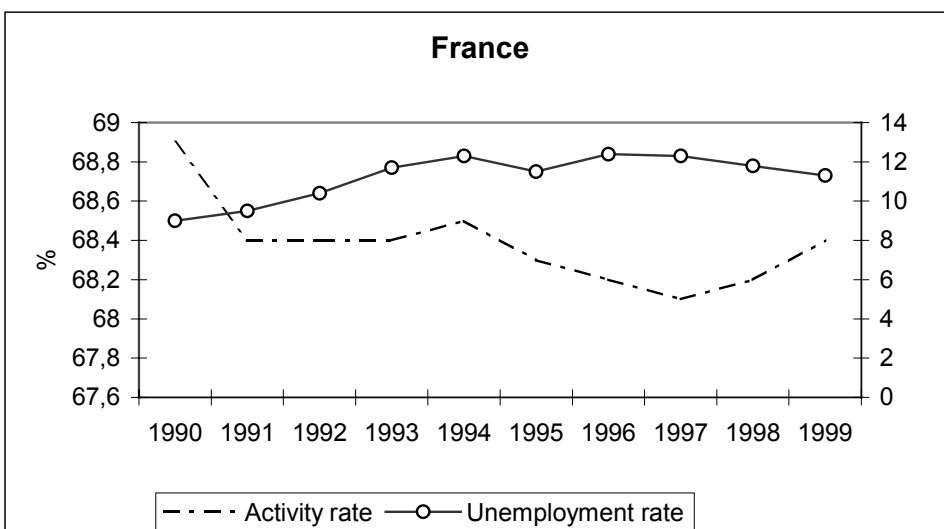
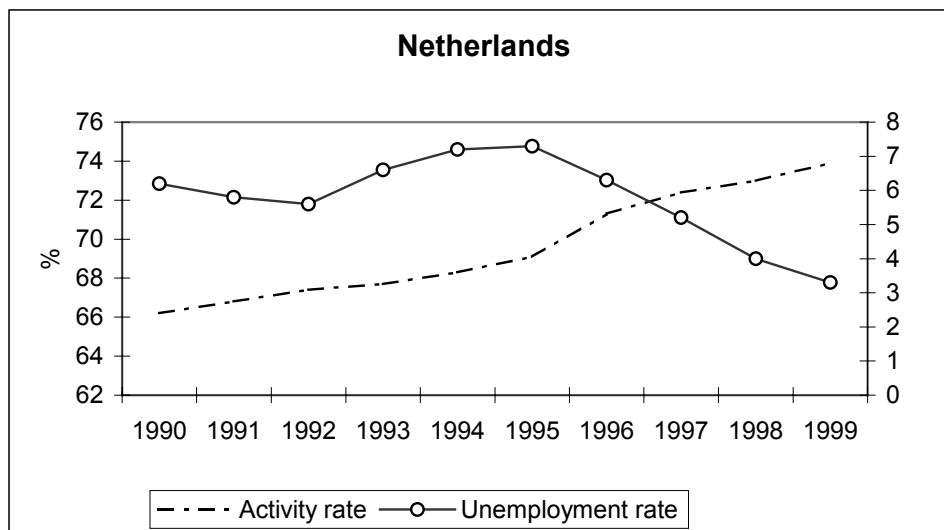
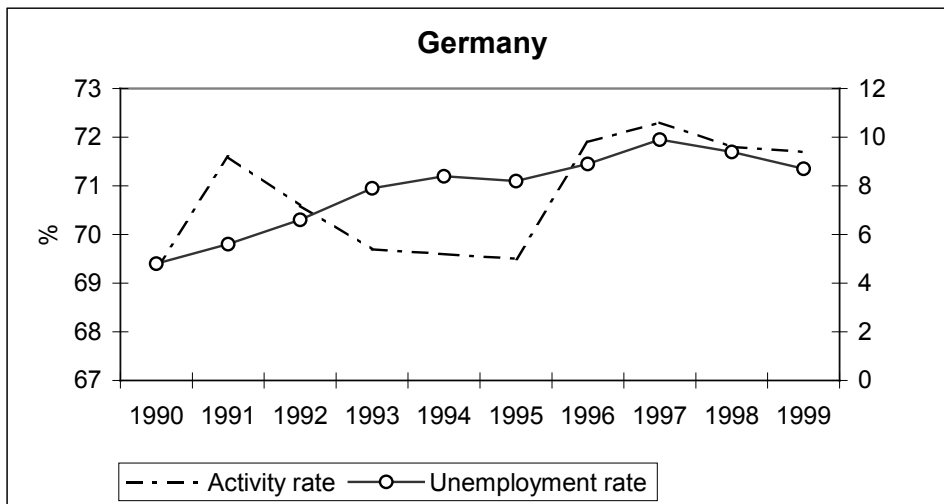
Source: Employment in Europe

### a) First Group Countries



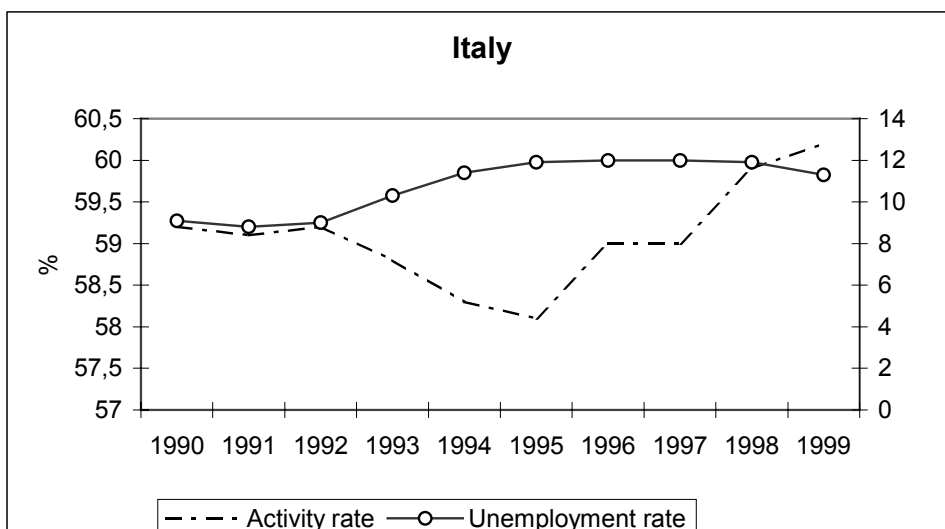
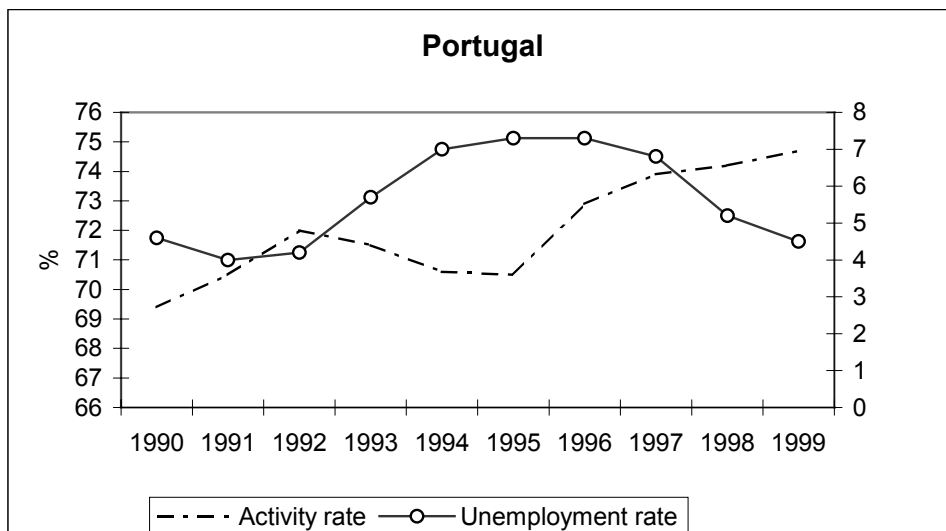
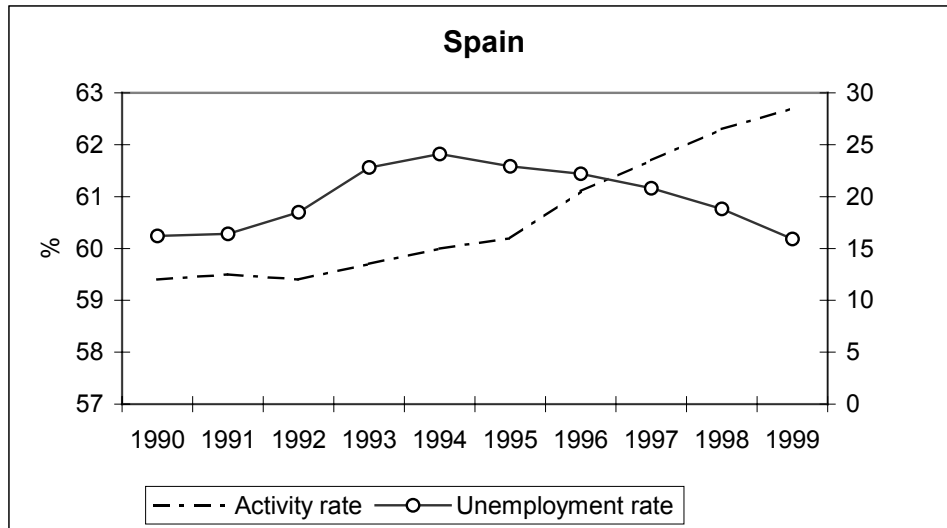
## Activity and Unemployment Rates 1990-1999

### b) Second Group Countries



### Activity and Unemployment Rates 1990-1999

c) Third Group Countries



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