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1 Introduction

The content of this Master thesis is about the labour market policy “in-work benefit” (hereafter called IWB), sometimes they also go by the name of „employment conditional earnings subsidies“. It describes a benefit conditional on being employed and works as a top-up of wages, mostly in the form of a cash transfer. Other forms can include the reduction of social security contribution or payroll taxes.

The literature so far distinguishes two aims of these policies: raising employment incentives and tackling poverty, especially the phenomenon of in-work poverty. This is also why they are sometimes labelled „making-work-pay“-policies. In the latter case they occasionally appear as being conditional on having kids e.g. when the aim is to reduce child-poverty. The underlying idea behind this policy is to create work incentives by raising the net income of individuals when they pick up a job that pays less than what they receive as out-of-work income e.g. through unemployment benefit. In that regard IWBs are seen as a way to escape the welfare trap (Immervoll and Pearson 2009; Vandellannoote 2016; International Labour Office 2010; Marchal and Marx 2018; International Labour Office 2010).

“Comparative research at a broader level, in terms of the number of countries and time period covered, has not sought to explore questions about the role of in-work benefits, why they are implemented in some contexts and not others, and why actual policies vary in scale, design and form, and what they signify for the future direction of welfare states” (Abbas 2020, 10)

The academic discourse around IWBs is mainly concerned with the effects of the dual aim in alleviating poverty and increasing employment. Data on IWBs started to emerge in recent years as more and more papers started to map IWB variation across different countries (Kenworthy 2015; Abbas 2020). Still most of the papers that show and compare the various forms of IWBs do this only through a technocratic lens. What is scarce is a (political) explanation as to why some countries implement different forms of IWBs than others.

This is where this master-thesis will add to the current literature and research problem of the labour market policy “in-work benefit”. The aim of this master thesis therefore is to answer the question: **How come that Austria, Germany and Switzerland have different forms of in-work benefit policies implemented?**

By answering this question, this thesis will add to the literature by explaining the variation of IWBs and adding more case-studies of non-liberal welfare-regime countries.

I chose Austria, Germany and Switzerland as my cases because they share the same welfare-regime. This raises the question whether the theory of welfare regime types is helpful to explain the policy variation of the three countries. It is important not to forget that these welfare regime types are still “ideal types” and that in reality welfare provision varies strongly between countries of the same regime type (Bambra 2007). The regime typology goes by the names “Bismarck”, “Conservative” or “Corporatist” welfare state. Therefore, I follow the most similar system design, as they all differ in the dependent variable, the IWB-policy in place. Switzerland serves as

a “counterfactual” because no IWB-policy is implemented. This way I avoid to select my cases by the variable (King, Keohane, and Verba 1994).

The target group of IWBs are mostly low-skilled workers, unskilled workers or long-term unemployed. In general, it targets people in precarious labour market situations, which are also called „outsiders“, as they are excluded from the employment and social rights that are enjoyed by „insiders“ (Rueda 2005). However, they also target people outside the labour force e.g. housewives. On a macroeconomic level gains in employment are small but among the target group IWBs are a cost-effective tool in increasing employment and reducing inequality.

In-work benefits are historically associated with liberal welfare regimes. They originated in the 1970s in the UK, US and Canada and there exist a lot of case-studies to these countries regarding IWBs but comparatively few in Bismarckian and other welfare regimes (Vlandas 2013). This is also because they were later introduced in other (European) countries in the beginning of the 21st century when concern for the “working poor” had started. Furthermore the “activational turn”, namely the shift towards more active labour market policies (hereafter ALMP) happened around the year 2000. IWBs are not officially part of ALMPs nevertheless the rise of demand-side-policies lead to the introduction of IWBs in several European countries, where they take form in different ways (Immervoll and Pearson 2009).

With the rise of different forms of these policies the problem of categorization emerged in the literature as there exists so far, no clear way of categorizing various IWBs. For example, Abbas (2020) distinguished five ideal-type models of IWBs in her paper about the variation of IWBs implemented in EU member states:

- In-work cash transfer, means tested, household
- Refundable EITC targeted on household composition
- Refundable EITC targeted on low income work
- Non-refundable EITC, near universal
- Implicit/ hidden in-work cash transfers, targeted and punitive

Pedersen and Picot (Pedersen and Picot 2020) categorize IWBs in these three forms. This is also the categorization I will use in this thesis:

- In-work cash transfer (IWCT), meaning paid out top up to the wages.
- Refundable tax-credit (RTC), meaning tax measures that reduce liabilities for those with earned income.
- Unemployment plus (UBplus), meaning that reduced unemployment benefit is received when one works during the time of unemployment.

Nearly similar to the approach by Pedersen and Picot, Kenworthy (2015) excludes the type of UBplus but includes the reduction of Social Security Contribution as a form of IWB.

Additionally, most papers only include IWBs when they are not time limited. There exist short-time working schemes that function as time-limited IWBs e.g. temporary wage subsidies. In their nature they are related to cyclical pressures in the economy or tailored to an even smaller

target group e.g. older workers and therefore do not resemble the fundamental shift that IWBs do by putting the onus for paying a living wage on the state (Arranz et al. 2018, as cited in Abbas 2020)

At the time of writing, Germany has an IWB of the type UBplus in place, Austria the type of an RTC and Switzerland has no IWB at all implemented. Additionally, there exist one policy in the form of a temporary-IWB in Austria and the reduction of social security contributions in Germany.

I will answer my research question in two parts: At first, I want to generate a theoretical framework or at least deduce some assumptions from the existing literature as to what could cause variation in IWBs. In the second part of my master thesis I will gather and compare empirical data of the three country-cases to elucidate and test my theoretical framework.

The thesis is structured in the following way: Section two presents the method and data used in this thesis. In section three I will outline my theoretical framework by analysing the current literature. Section four consists of the case-studies individually and section five discusses the findings. The last section concludes.

2 Method and Data

To answer the research question, I will use a two-part-approach. First, I will do a structured analysis of the academic literature. Hence, the articles considered in the analysis focus on the variation of IWBs in general or their implementation in corporatist-regime countries. In addition to these contextual criteria they also cover the time period from 2005 till 2020. I will review the literature for factors that determine the variation of IWBs. Through that structured analysis I identified four factors that are connected to the variation of IWBs: the political economic structure (labour market structure and corporatism), the welfare regime, the partisan politics and the policy legacy (path dependency) of the countries. In the next step I will develop my argument for each of the factors, what they can explain about the variation of IWBs.

In the second part, I will analyse data from the OECD on union strength, union inclusiveness, unemployment and underemployment rates and in-work poverty rates. I will also gather data on government composition and take snapshots of the institutional setting into account. I will do this for all three country-cases. I will gather, compare and analyse empirical data in the context of my theoretical framework. The general idea is to view all this factors first isolated in every country-case and then regard the interplay of these in the given national context.

At the time of writing the IWB-policy in place in Austria is the “*Sole earner and single parent tax credit for families with children*“. To be precise, this type of RTC consists of two different tax credits. Yet, they only differ in their eligibility criteria. The benefit amount is the same. The sole earner tax credit was introduced in 1973 and connected to the family benefit since 2011. The single parent tax credit was introduced in 1992. Both credits became refundable in the year 1998. To be eligible for the single parent tax credit, one must not be in a marriage or partnership more than six months a year and have at least one child living in the household. To be eligible for the sole earner’s credit, one must share a household with his or her spouse more than six months a year and have at least one child. The credit is not paid out when a spouse’s income exceeds 6000 €. Because the credit is paid out as a negative income tax, it is also necessary to be in some form of employment. This tax credit is 494 € for one child and increases by 175 € for the second and by 220 € for the third and every additional child (Rille-Pfeiffer and Kapella 2017). Another IWB-policy in Austria is the so called “*Kombi-lohnbeihilfe*“. As it is only paid out to elderly people (45+) and limited to one year, it shall not be further considered in this thesis (OECD 2019a).

In Germany the IWB-policy in place is of the type UBplus and called “*Arbeitslosengeld II*” but mainly referred to as “*Hartz IV*“. It was introduced in the year 2005 and enables recipients of an unemployment benefit to pick up work under a certain threshold without losing the benefit entitlement. “*Income is regarded if it serves the same purpose and the ceilings for extra income are exceeded*” (OECD 2019b, 12). These features were designed so that claimants would take up part-time work and less well-paid jobs become more attractive. Additionally, the scheme of the so-called “*Minijobs*” exists. These are exempt from social security contributions but capped by earnings of 450 € per month. These were introduced in the 1990s expanded in their eligibility in the early 2000s.

At the time of writing, only temporary wage subsidies are in place in Switzerland (ILO 2020).

3 Part I: Theoretical Framework

The academic literature about IWBs indicates that the policy variation stems from the labour market structure, the welfare regime type, the partisan politics and the path dependency (Abbas 2020; Cronert 2017; Pedersen and Picot 2020). How exactly these factors impact the form of an IWB is still not fully explored. In the following chapters I attempt to deduce some assumptions from the literature and present the state of the art.

3.1 Labour Market Structure

Regarding the labour market structure one important aspect is the labour market segmentation, or rather the dualization between “insider” and “outsider”. Outsiders are in general more likely to be in precarious forms of employment, underemployed, unemployed or temporary employed and thus profit from policies like IWBs. In his book *‘Strong Governments, Precarious Workers’* Rathgeb (2018) answers the question why some European countries protect outsiders better than others by comparing the reform trajectories of Austria, Denmark and Sweden. He turns the traditional approach tipsy-turvy, which assumes that market liberalization is a result of a weak government, where the states’ redistributive elements are cut back in favour of free enterprise. His findings show not only that this is not the case, instead it is even necessary to have a strong government in order to expand market forces, remove constraint on capital and defend this against political demands for material compensation. These political demands come from centralised and inclusive unions who address the needs of outsiders. Trade-unions therefore play a key role, since they resist market dualization and protect the interests of outsiders (cf. Rathgeb 2018, 22). They are successful in this cause when the government needs union support for consensus mobilization. The fact that unions can only interfere against a weak government comes from a more general trend of a decline in union power over time. The power moved from labour to capital across the advanced capitalist countries in this ‘era of liberalization’.

“only when governments are strong can they liberalize labour markets without compensating the losers this creates. Otherwise, trade unions oblige them to make concessions.”
(Rathgeb 2018, x)

Regarding the case-studies, the findings show that, Austria expanded the protection of outsiders in contrast to Sweden and Denmark. Austria smoothed insider-outsider divides by expanding active state support for the unemployed. This is possible because it has strong union centralization, inclusive unions and most of the time weak governments.

There is also another aspect in which unions seem to play an important role as noted earlier. Kenworthy (2015) categorized three different types of in-work benefits implemented in Sweden, UK and Germany and shed some light on the effectiveness in alleviating poverty and reducing unemployment. His main question was the effectiveness of IWBs from a technocratic perspective, which he answered by analysing and comparing three case-studies. Yet, in the case of Germany, he noted that stronger unions and broader collective bargaining coverage lead to a higher wage floor. As a result of this it does not seem necessary to policymaker to boost the income of households with low earnings but instead to boost employment by reducing the taxes paid by employees.

Germany did this by introducing and expanding the *Minijobs*, where employees pay no social security contributions (Kenworthy 2015, 8 f).

Adding to the issue of precarious workers, Rubery et al. (2018) highlighted that precarious forms of work are increasingly considered the new “norm” to which various systems like the employment system have to adapt. In their article they explored the tensions and contradictions, that arise from the different normalization processes of precarious work and assess their implications for the future. The normalization processes of work are buttressed by social policies which work in both decommodifying and recommodifying ways. One of those recommodifying forms is the use of sanctions that require unemployed people to take up “non-standard forms of employment” I.e. precarious work. This is sometimes subsidised by the state through the use of IWBs.

3.2 Welfare regime

The theory about welfare regimes is presented by Esping-Andersen in his book *the three worlds of welfare capitalism* (Esping-Andersen 1990). One underlying axiom is that welfare is not only provided by the state alone but also from the market and the family. Together these three spheres make out what is called a “welfare regime” and different arrangements between the state, market and family lead to different regime-types. He uses this broad approach because the narrow view of a welfare state is only associated with social policies, but the welfare regime also has implications for the employment and the general social structure. Esping-Andersen then compares 18 OECD-countries upon three principles:

- “*Decommodification (the extent to which an individual’s welfare is reliant upon the market, particularly in terms of pensions, unemployment benefit and sickness insurance)*”
- *social stratification (the role of welfare states in maintaining or breaking down social stratification)*
- *private–public mix (the relative roles of the state, the family, the voluntary sector and the market in welfare provision)*” (Bambra 2007, 1098).

His survey of international variation results not in a linear distribution but clusters around three ideal regime-types: The liberal welfare regime, the conservative welfare regime and the social democratic welfare regime.

The liberal welfare regime predominately uses means-tested assistance, modest universal transfers and modest social-insurance plans. Entitlement rules are strict and associated with stigma. Benefits are modest and mainly to a clientele of low-income state dependents, mostly working-class. The state encourages the market as a provider of welfare. Archetypical examples are the U.S., Canada and Australia. This is also the regime-type where IWBs originated from.

The corporatist welfare regime is strongly marked by the preservation of status differentials. This means that rights are connected to class and status. The state displaces the market as a provider of welfare which causes that private insurance is only of minimal existing. The redistributive impact of the state is also insignificant. Typically, the corporatist regime is shaped by the church which means that they preserve the traditional familyhood. Family benefits encourage motherhood and social insurance typically excludes non-working spouses. Day care and the like

are deliberately underdeveloped. The state only interferes when the family is not capable to serve its members. Examples include France, Austria, Germany and Italy (Esping-Andersen 1990).

The social democratic regime extended the principles of universalism and decommodification to the new middle classes. The welfare state promotes equality of the highest standards. Services and benefits are on a high level. Workers are guaranteed full participation in the quality of rights, that are enjoyed by the better-off i.e. manual workers enjoy rights identical to white-collar employees or civil servants. There exists one universal insurance system. The market is pushed out as a welfare provider. The aim is to maximize capacities for individual dependence and not dependence on the family. Therefore, transfers are granted directly to children. *“All benefit, all are dependent, and all will presumably feel obliged to pay”* (Esping-Andersen 1990, 28).

As it is uncommon for countries characterised with a corporatist welfare regime to use IWBs. Several papers address this relationship.

Vlandas (2013) wrote a case-study about France which shows that the introduction of an IWB in France, the Active Income of Solidarity, was the result of cross-cutting alliance. The central question of this paper was as to why France, as a Bismarckian welfare regime introduced such a policy that is otherwise associated with liberal welfare-regimes. To answer this question he analysed “parliamentary debates, voting records, political parties position papers, surveys and semi-structured interviews” (Vlandas 2013, 119). The alliance consisted of conservative party, employers, parts of the socialist party and union movement. Important to note is that most of the left abstained the vote and only few voted in favour or against it. This is because even though not aligned ideologically with the left it was hard to oppose as it benefits the labour market outsiders and raises the net income of the low-income workers. He raises the question of whether or not the left is able to effectively oppose reforms that involve welfare state expansion.

Another case-study of a country with a Bismarckian welfare-regime targeted Belgium, though not in analysing an existing IWB policy, but rather simulating various policies to find out which tackles best the problem of in-work poverty. Compared were higher minimum wages, reductions in employee social security contributions, tax relief for low-paid workers and the implementation of a stylised version of the British Working Tax Credit (IWB). The latter one seems to yield the best results (Marx, Vanhille, and Verbist 2012).

3.3 Partisan Politics

As already noted earlier, there is a cross-party consensus regarding the expansion or introduction of IWB-policies, due to their effectiveness in poverty alleviation and employment increase. However, when it comes to policy details, partisan preferences differ.

Cronert (2017) found that both left-wing and right-wing governments invest in active labour market policies (hereafter ALMP) but that they have different approaches in the detailed policy settings. For example, left-wing governments are more inclined to expand programs that seek to reduce or prevent unemployment among people at the ‘core’ of the labour force and programs for which enrolment implies a temporary exit from open unemployment. The left and right are equally reserved when it comes to expanding programs, that include people who are outside the labour market (Cronert 2017; Vlandas 2013). In general, the influence of partisan politics on ‘new’ policy fields like active labour market policies is disputed among comparative scholars.

That is why, Cronert (2017) attempted to reconcile this struggle between the traditional ‘power resources’ approach and the ‘insider/outsider’ approach by using the new EU LMP database with over 900 ALMP programs. Moreover, he noted that in order to explain variations in ALMP development, one should look beyond the ‘usual suspects’, such as partisanship, and instead (or also) consider some rather different political institutional variables (Clasen et al. 2016, as cited in Cronert 2017, 2).

Due to the complexity and ambiguity of IWBs, this consensus seems to be unstable. An illustrative example of this is the case of Germany (Clasen 2020). At first, broad cross-party support for the introduction of an IWB existed. The discussion about this issue started in 1990 and led to the introduction of an IWB within the so-called Hartz reforms from 2002 to 2005. After the introduction, way more people than anticipated took up the IWB element of Hartz IV. These so-called "Aufstocker" were portrayed negatively as benefit dependent. The image in general of the Hartz IV was seen negatively and condemned as a form of welfare cutback. This led to shrinking political support of the reform. This in turn led to the governments shift in policy preference to containment and retrenchment. Still the problem could not be solved, and a national-minimum-wage was introduced (2013-2017) to reduce IWB claimants. This helped only little (Clasen 2020). Clasen notes that one thing which was problematic was the incorporation of an IWB within the general minimum income support scheme because it is lacking political legitimacy. In that point he refers to Howard. "*A key reason for the legitimacy of EITC is arguably its character as a refundable tax credit rather than welfare payment*" (Howard 1995 as cited in Clasen 2020, 3).

This traditional “partisan politics” approach, where every party represent the interest of their core constituency and the presence of other parties are not relevant to the action of a given party, is widely established in comparative welfare literature. This standard model has recently been questioned as it seems that the presence of other parties and the structure of the party system does indeed affect the activities of each party (Picot 2014). He added to this field by showing how the different party systems of Italy and Germany influenced the outcome of their social policies regarding unemployment protection since World War II. A fragmented and highly targeted benefit system, including generous ‘wage supplementation’ for effectively redundant workers in Italy versus generous coverage for the core labour market groups in Germany.

3.4 Path Dependency

The theory of path dependency in political science, describes “*the tendency of institutions or technologies to become committed to develop in certain ways as a result of their structural properties or their beliefs and values.*” (Greener 2020, 1). As a result, such institutions, or politics in general, react considerably inert to change. The underlying assumption is that “history matters” and the theory tries to explain how it matters. Studies of path dependency in the welfare state show that significant change of policies happens as an exception. According to this definition, something can be shown to be path-dependent by identifying the following three features:

1. There must be a strong element of contingency in the system. This also means that chance can end up as the deciding factor.
2. One must demonstrate how this system or organizational form becomes secluded partially from change. The cognitive or institutional factors leading to this may be positive or negative.

3. It must be shown how change within a path-dependent system is possible (Greener 2020).

Pierson (2000) differentiates between the broad definition that simply “history matters” and a narrow definition, which builds upon the concept of “increasing returns”. In an increasing returns process the probability of further steps along one path increases with each step taken down that path. This means that once a country has started down a track, the costs of reversal are very high as preceding steps in a direction induce further movements in the same direction. A good analogy to this concept is a tree with several branches, where climbing from one tree to the other gets more costly in terms of “sunken cost” the further one has departed from the origin:

“From the same trunk there are many different branches. Although it is possible to turn around or to clamber from one to the other – and essential if the chosen branch dies – the branch on which a climber begins is the one she tends to follow.” (Levi 1997, as cited in Pierson 2000, 252)

Path dependencies not only result from institutions and policies but from a so-called “welfare culture”, which is defined as “*the relevant ideas in a given society surrounding the welfare state and the way it is embedded in society*” (Pfau-Effinger, as cited in Knuth 2009, 1057). To use more loosely terms, one can describe it as a theoretical mix between welfare-regimes and path dependency. Individuals are not able to directly intervene in the making of a welfare policy. This results in a weaker coupling between welfare policies and the national welfare culture. Nevertheless, policy maker should start a political discourse, if they want to implement a welfare policy that is clashing with the existing welfare culture. Otherwise they risk low acceptance of the reform and possible non-compliance or a backlash at the following elections. The Hartz IV reform and including introduction of the German IWB is one example of such failure (Knuth 2009).

In her dissertation-thesis Abbas (2020) showed the nature and extent of variation in IWBs across European member states. She mapped the IWBs in place from 2006 to 2017 and analysed the variation of those policies in connection with two aspects: First, their orientation towards the recipient’s dependence on the labour market, the state and the family. Second, their historical and contemporary context. She therefore developed a “dependency relationship framework” to answer her research questions. The findings result in five distinguished ideal-type models of IWBs that differ in their degree of dependency on the labour market, the state and the family. She also notes that underemployment appeared to be associated with whether countries had IWBs implemented (Abbas 2020, 235) and that social policy legacies appeared to matter in some countries IWB reforms.

3.5 Assumptions

Drawing from these four theoretical fore factors, I conclude the following:

I assume that the configuration of “convergent pressures”, and the power of unions can help to explain the introduction of IWBs. With “convergent pressures” I mean socio-economic pressures and liberalisation (Abbas 2020). This is also facilitated by the Lisbon Strategy of the EU, at which core was the rise of activation-policies to get more people into work (Marchal and Marx 2018).

I assume that unemployment pressure makes policy makers consider expanding ALMPs (Cronert 2017) or introduce wage subsidies (Meyer 2016) in order to increase workforce participation. Likewise, underemployment pressure and rising in-work poverty, makes policy makers consider introducing policies that raises the net income of low-wage workers such as IWBs (Vladas 2013).

Unions normally resist IWBs. Hence only under two circumstances is it possible for policy makers to introduce such policies. One, if unions are weakened, they are not able to resist the introduction of IWBs. Two, if the labour market is highly dualized and the low-wage sector weakly regulated, then low-wage competition may begin to pose a threat to labour market insiders, represented by (high-wage) unions (Meyer 2016). If that happens, union preferences towards IWBs will shift and they will not resist the introduction of such a policy.

I assume that the configuration of policy legacies in the system of taxes and social contributions influences and shapes the design and form of the IWB-policy. How exactly the path dependency turns out is currently difficult to determine as the cases of Austria and Germany depict different scenarios. Austria's IWB seems to derive from the influence of the catholic church and stands for continuing policy legacy (Abbas 2020), whereas Germany's IWB presents a case of path shifting (Knuth 2009). Regarding the system of taxes and social contributions I assume that if the system contains elements of higher wage floors, this will lead to a design of a reduction in social security contributions or payroll taxes (Kenworthy 2015).

I further assume that the type of welfare regime shapes the form of the IWB-policy. The archetypical policy-design of IWBs as a flat-out wage-subsidy stems from the liberal welfare regimes. Corporatist welfare regimes, with their stronger focus on familyhood are more likely to introduce an IWB-policy that includes eligibility conditions dependent on the household income and not on an individual base. Additionally, and connected with the path dependency these regimes are influenced by the church. It is also more likely that they take the form of an RTC to preserve status differences. However, I shall note here that all the three country-cases share the same welfare-regime, which makes it impossible to find any variation regarding this variable.

Finally, I argue that the partisan politics influences the design of the IWB-policy. This happens in the way, that the right is more inclined to introduce the "liberal welfare regime style" of IWBs as it also benefits the employers. On the contrary, I argue that the left is generally against the policy of IWBs as it puts the onus of paying an adequate wage on the state and not on the employer. However, since IWBs also raise the net-income of low-wage earners it is difficult to oppose such policy. I therefore assume the left to be more likely to introduce or rather accept IWBs in the form of a refundable tax credit by the employee or in forms that benefit their core group.

In the next section I will present the empirical findings of the country-cases. I will use my assumptions as a supportive "grid" and compare them to the actual findings of each country. I will focus on the union strength, union inclusiveness, unemployment and underemployment rates, in-work poverty rates, government composition and take snapshots of the institutional setting into account. I will do this for all three country-cases.

4 Part II: Empirical Findings

4.1 Assumption 1

I assume that unemployment pressure, underemployment pressure and high rates of in-work-poverty makes political actors consider expanding ALMPs and implement policies that raises the net-income of low-wage workers such as IWBs.

Figure 1 **Fehler! Verweisquelle konnte nicht gefunden werden.** shows the OECD unemployment rate in AUT, GER and CHE as a percentage of the labour force ranging from 1991, 1993 and 2010 the earliest year data was available for each country until 2019 ('Unemployment - Unemployment Rate - OECD Data' n.d.).

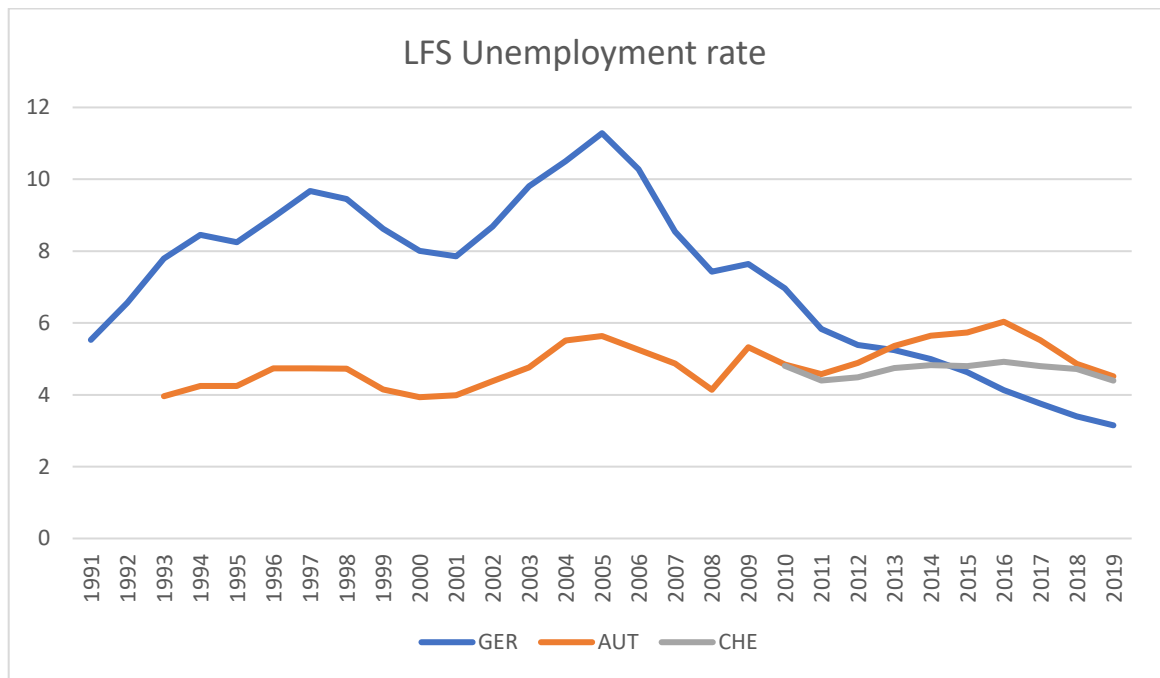


Figure 1 Unemployment rate as a percentage of labour force from 1991-2019; OECD

The data used here are based on the labour force survey (LFS) for better international comparison. In this case the unemployed people are defined as those who are available for work, of working age and have taken steps to find work. It is measured in numbers of unemployed people as a percentage of the total labour force which is seasonally adjusted. Labour force is defined as the number of people in employment and the unemployed people ('Unemployment - Unemployment Rate - OECD Data' n.d.). Because the LFS data for Switzerland is only available from the year 2010 the unemployment rate according to the national register of Switzerland has been added in Figure 2 to get an impression of the unemployment situation starting from the year 1993 (Organization for Economic Co-operation and Development 1970).

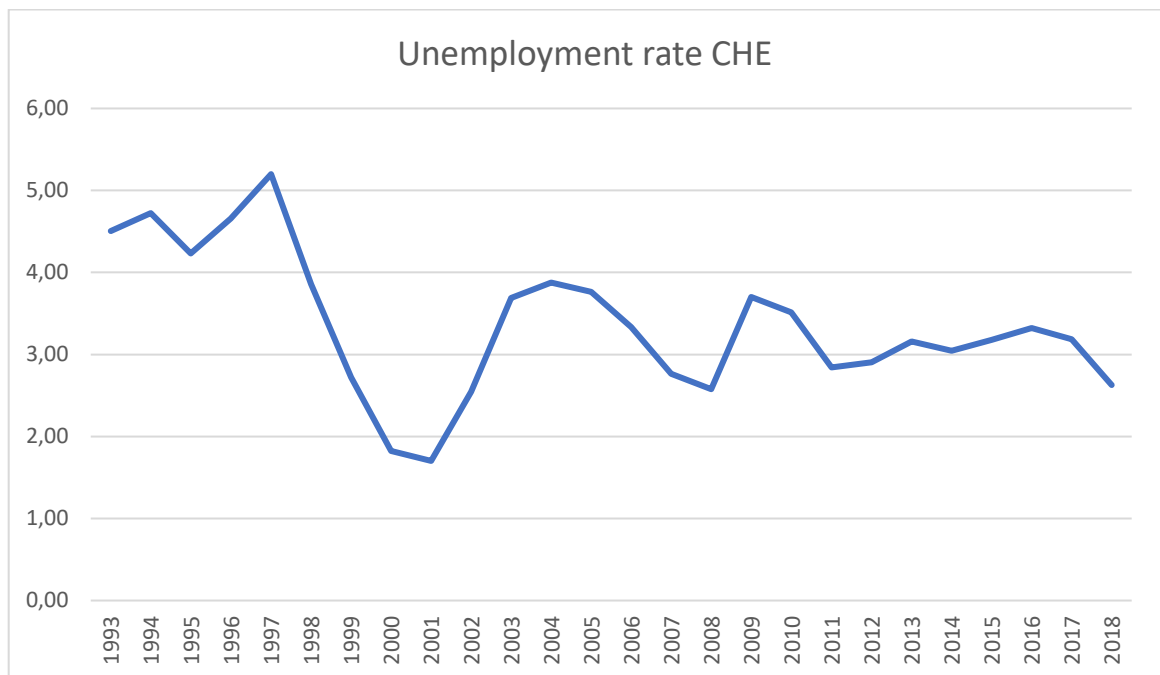


Figure 2 Source Federal Reserve Bank St. Louis; UE rate according to national register

In the year 1998 Austria had an unemployment rate of 4.7% in contrast to 10.55% of the Euro area. Over the whole time period from 1993 to 2019 the Austrian unemployment rate was below the average of the Euro Area (19 Countries) and the OECD total. This low unemployment rate stands in contrast to the fact that Austria has an IWB-policy in place.

The same can be said for Switzerland. Even if data from the LFS is only available from the year 2010 onwards, the unemployment rate according to the national registered unemployed tends to be higher than the LFS rate ('Schweiz - monatliche Arbeitslosenquote 2020' n.d.). This means that in the years 1993-2010 was presumably on a similar level than Austria's unemployment rate.

In contrast to these two, Germany was marked by high unemployment until the year 2005 when the Hartz IV reformed was finished (implemented in steps in the years 2002-2005). Its unemployment rate was above OECD average until the year 2009 and in the years between 2003 and 2007 were it had its peak it was even above EU 28 and Eurozone average. In the late 1990s Germany was named "the sick man of Europe" in the media because of its continuing high unemployment rates and also its low annual economic growth rates and large public deficits. This led to a discourse that blamed the shortage of jobs for low-skilled workers as the cause of this which was then taken up by several political actors including the political parties.

"Employer organizations argued that the creation of a low-wage sector for the less qualified was needed but hampered by rigid wage structures, as well as existing minimum income schemes" (Clasen 2020, 5)

The low-wage sector, which gave rise to atypical employment was created on purpose by political actors, so to speak. One notable example are the *Minijobs* but it also led to a broad support of wage-subsidies and continuing that path led to the IWB-policy of UBplus which is in place since 2005. In the end, Germany managed to reduce unemployment rates to a striking 3.15% in

2019 and way below OECD and EU 28 average. This is interesting as IWBs are generally not seen as the best tool to raise employment. We shall later see that this came not without its downsides.

Research of the precariat tends to view on the consequences of change in the labour market on the social class through a gender-neutral lens. The downside of this approach is the risk to disregard gender-specific conditions and gender-specific consequences as noted by Stelzer-Orthofer (Throm and Walln  fer 2015). Given the fact, that the two Austrian IWBs benefit single-parents, which are mostly women and single-earners of a household, which are mostly man (Rille-Pfeiffer and Kapella 2017) I shall also have a look at the gendered dataset.

Figure 3 Figure 3 shows the gendered unemployment rate in all three countries. However, the difference between the male and female unemployed does not yield any explanatory power as to why the Austrian and German government implemented an IWB.

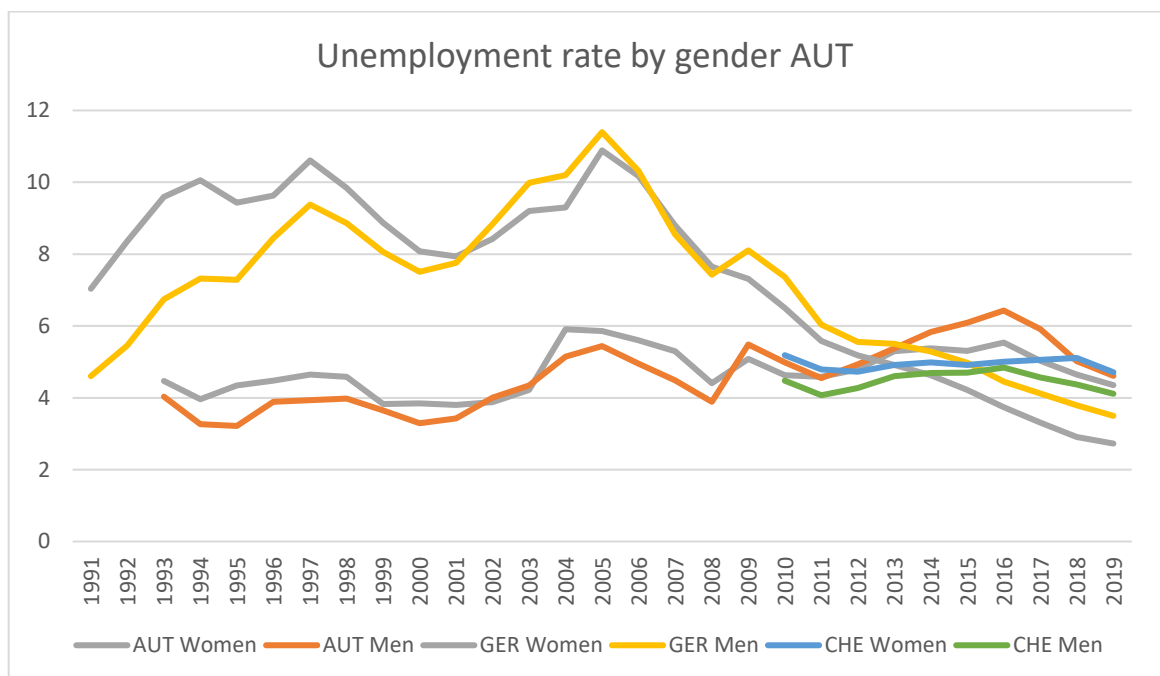


Figure 3 Unemployment rate men and women from 1991-2019 Source OECD

Figure 4 shows the in-work-poverty rate total and by sex in AUT, GER, and CHE beginning in the years 2003, 2005 and 2007 respectively. Unfortunately, data before the year 2003 is not available and comparable data for the EU 28 average is only available from the year 2010 onwards.

The gendered in-work-poverty rate was also collected in Figure 5. However, like the gendered unemployment rate, they do not contain information that could help explaining the variation of policies implemented.

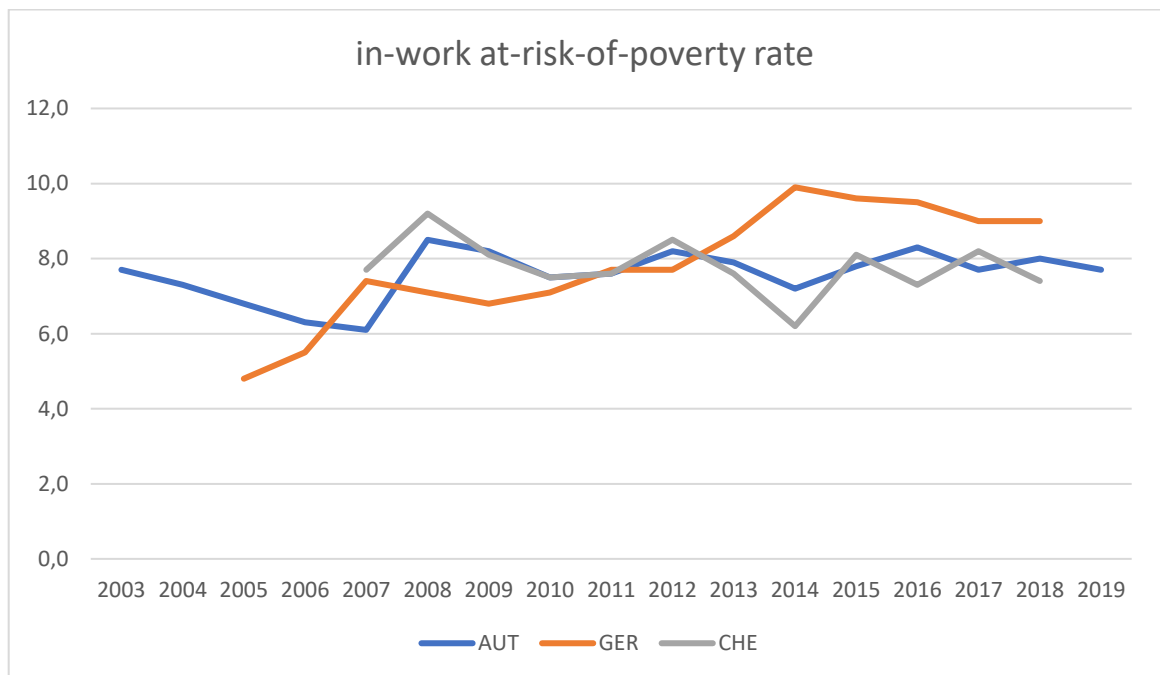


Figure 4 Source Eurostat ilc_iw01

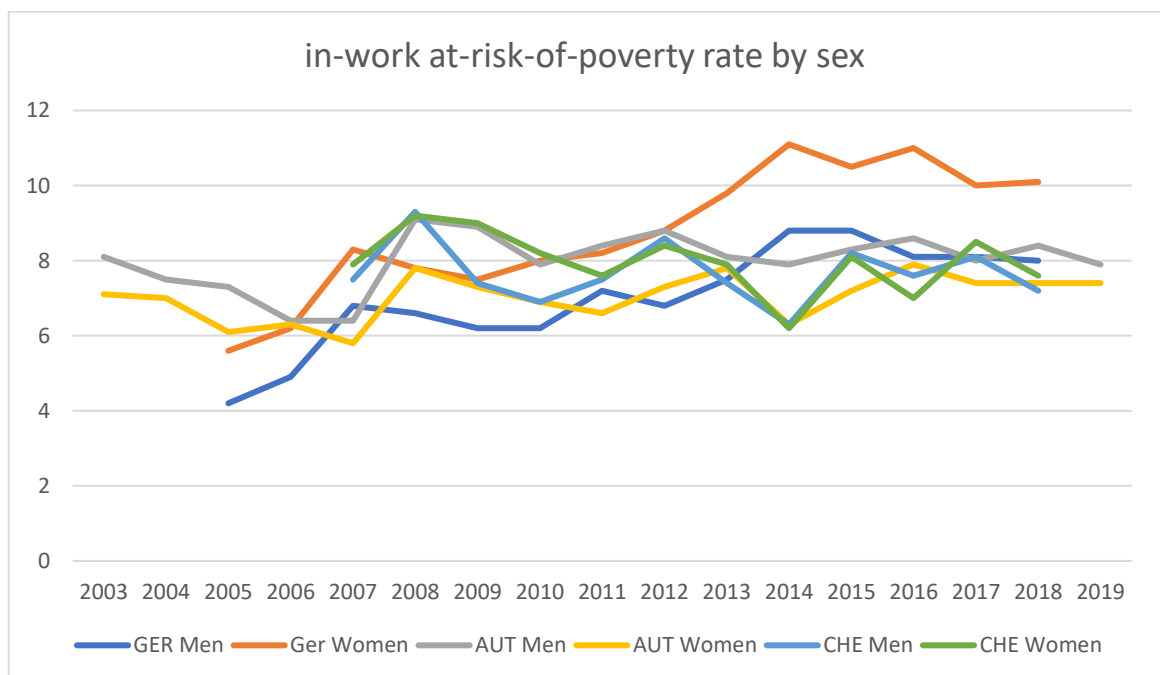


Figure 5 Source Eurostat ilc_iw01

Since the OECD does not provide data on the working poor, the data used is taken from the Eurostat database. Here, the in-work at-risk-of-poverty rate is defined as:

“the percentage of persons in the total population who declared to be at work (employed or self-employed) who are at-risk-of-poverty (i.e. with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income (after social transfers))” (‘EU Statistics on Income and Living Conditions (EU-SILC) Methodology - in-Work Poverty - Statistics Explained’ n.d.).

Even though the data is from the year 2003 we can see a general decline in in-work-poverty for Austria until the financial crisis 2008 where it rose to 8.5% total and then proceeded to stay at around 8% due to the rate by men declining and the rate by women increasing. Men are more affected than women by in-work-poverty in Austria but only by a small margin, except for again the financial crisis 2008 that widened the gap for the following years. For the whole time period covered by the data, the Austrian in-work-poverty rate was always below the EU 28 average, which started with 10.9% in 2010 and increased up to 12.1% in the year 2018. Generally, in-work-poverty is not regarded as a mass phenomenon in Austria (Throm and Wallnöfer 2015).

Nearly the same picture can be seen for the data of Switzerland. It had its highest peak with 9.2% in the year 2008 and then, like Austria, was around 8% for the following years. A report from the Swiss Federal Statistical Office showed that from 1992 until 2003 the rate of working-poor varied between 6% and 9% ('Wayback Machine' 2014; Strengmann-Kuhn 2003).

Regarding the German case, the share of the working-poor was the lowest of the three countries at the beginning of the EUROSTAT dataset and rose constantly since the implementation of the IWB and since 2014 is higher than the EU 28 average. Moreover, the in-work-poverty rate by sex shows the biggest gender-gap of all three countries and is widening over the time-period. In the year 2016 the share of women affected by in-work poverty was 3% points higher than the share of men. The German findings are concerning as they depict the consequences of political agents acting to optimize one statistic e.g. unemployment rate. Moreover, it is alarming to see that IWBs lead to increasing in-work-poverty as this is the problem they are supposed to eradicate. The introduction of the national minimum wage in the year 2015 does not seem to have a strong influence on the rate of working people at-risk-of-poverty.

The underemployment rates in Figure 6 and Figure 7 show the percentage of involuntary part-time work in Austria, Germany and Switzerland as share of total employment and by sex.

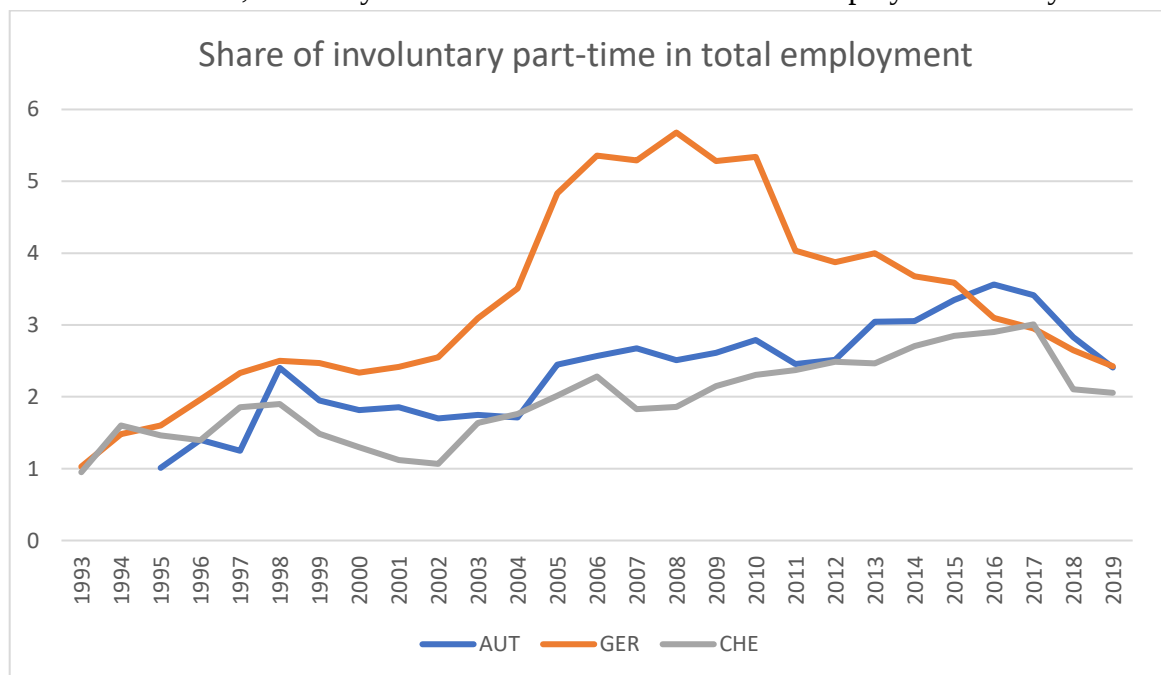


Figure 6 Source OECD

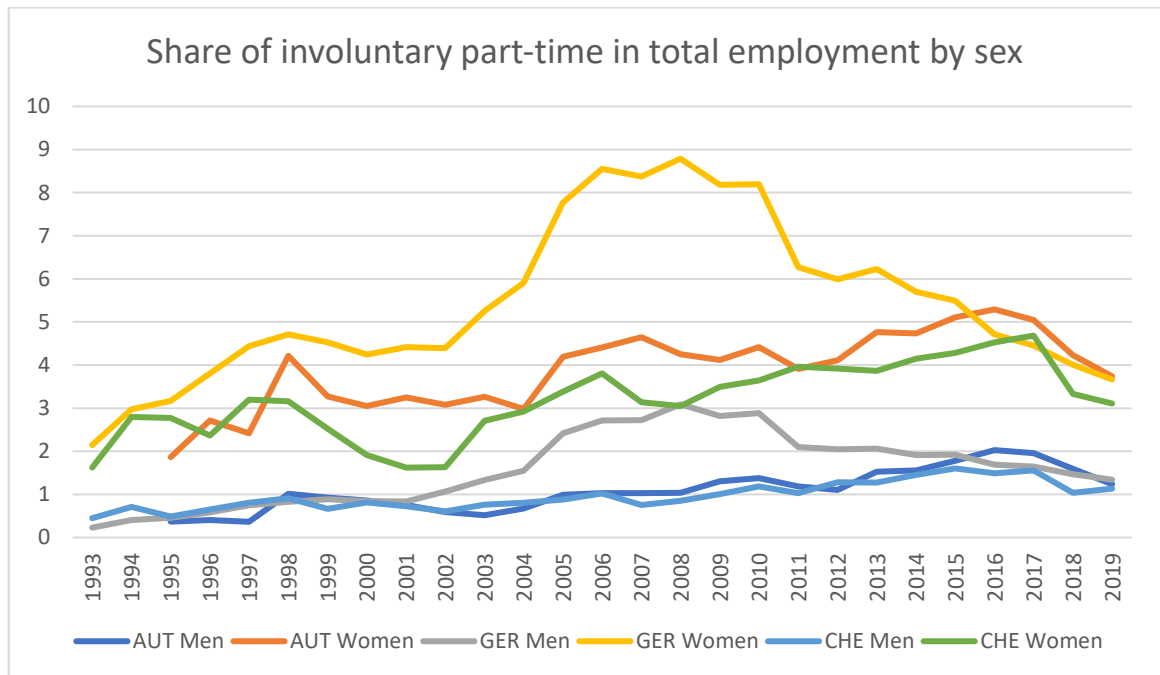


Figure 7 Source OECD

The OECD separates the people in involuntary part-time work into the following three groups ('OECD Glossary of Statistical Terms - Involuntary Part-Time Work Definition' n.d.):

- i) Individuals who usually work full-time but who are working part-time because of economic slack.
- ii) Individuals who usually work part-time but are working fewer hours in their part-time jobs because of economic slack.
- iii) Those working part-time because full-time work could not be found.

Again, the Austrian and Swiss rate of involuntary part-time employment is below the OECD and EU 28 average. For example, the total rates for OECD and EU 28 were 2.2 and 2.8 in 1995 and 3.2 and 4.5 in 2019. The graph also shows that the Share of women in involuntary part-time employment is higher than for men in all three countries. This is also supported by Figure 8 which depicts the shares of the complete involuntary part-time employment by sex which makes up more than 70% in all three countries.

The rate of involuntary part-time employment for Germany was below the OECD and EU 28 average too in the year 1995 and again in the year 2019 but increased significantly after the introduction of the UBplus IWB-policy in the years 2002-2005 and remained high until the year 2010. Because of the increased number of IWB-recipients in Germany following the implementation of the IWB the government decided to adjust several parameters within the existing minimum income schemes. To transfer working people from Hartz IV to different forms of wage subsidization, they increased housing benefits by more than 50% in 2009 and improved the *Kinderzuschlag* (child supplement) as well (Clasen 2020).

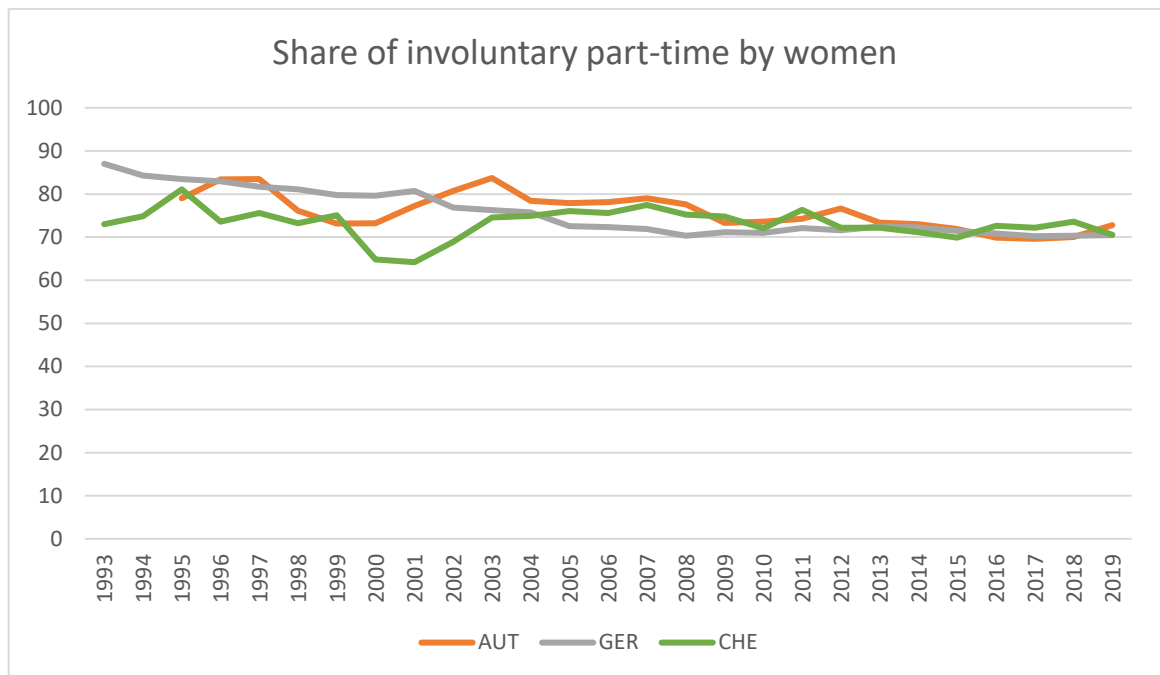


Figure 8 Source OECD

All in all, it is wrong to assume, that Austria implemented the IWB only because of high unemployment or underemployment pressure. Following that logic Switzerland should have an IWB-policy in place as well, since the economic pressures are similar. The role of the EU might explain the difference as it promotes the rise of ALMPs and therefore Austria implemented these reforms. The picture of Germany is different, as it was plagued by high unemployment and the employer organizations argued that the lack of a low-wage sector was the cause for it. With the implementation of *Hartz IV* as and IWB-policy, a low-wage sector was intentionally created to raise employment figures.

4.2 Assumption 2

I assume that unions normally resist IWBs and would only allow the introduction of such policies to happen if they are weakened. Alternatively, if the labour market is highly dualized and unions split into high-wage and low-wage unions. High-wage unions would accept such a policy if the competition of the low-wage sector is threatening labour market insiders.

The reasons why centralized and encompassing unions are better in mobilizing support for political outsiders are the following three: (Rathgeb 2018):

- Encompassing unions have a higher share of outsiders themselves.
- Policy demands from centralized unions are easier incorporated and therefore they “give voice” to those in precarious work.
- If they are involved in the administration of unemployment, then unions have a strategic interest in protecting the unemployed.

I use an index of inclusive Unionism created by Gordon (2015) to compare union strength internationally. He criticised that union membership is often used in the literature as the sole indicator for union strength. This he argues is misleading because even though membership has decreased for unions in western Europe, they still have significant influence because of their role in bargaining systems, their institutionalized political consultation and their administration of social insurance.

The index (shown in Table 1) consists of three characteristics: union density rates, union centralization rates and involvement in unemployment benefit administration on a period from 1985 until 2005. The union density is synonymous with the union membership rate. The centralization characteristic consists of three aspects as well: the extent to which bargaining takes place at levels higher than the firm level, the power of confederate unions over affiliate unions and the degree to which union movements are composed of a small number of cooperating confederations (Gordon 2015). Involvement in UB administration can happen in three ways: Ghent arrangement (=100), bipartite or tripartite administration (=50) and non-involvement (=0).

The full table includes 18 OECD countries. At the lowest place are the USA with an index of 14.5 in inclusive unionism and the top place is taken by Sweden with an index of 78.7 in inclusive unionism. Austria, Germany and Switzerland rank on the 5th, the 7th and the 9th place, respectively with a score of 59.2 (AUT), 42.0 (GER) and 37.3 (CHE).

The unions in Austria are highly centralized and encompassing and therefore able to resist the implementation of an IWB. This means that besides the low economic pressure mentioned earlier, Austria has strong and inclusive unions. Yet it still has an IWB-policy in place. This is insofar puzzling because Austria scores twice as much on average union density and union centralization as Switzerland, which does not have an IWB-policy implemented. As noted in chapter 3.5 the convergent pressure and the power of unions can only help to understand this variation. They alone certainly cannot explain these differences. In Germany the trade unions were not able to oppose the introduction of *Hartz IV* but were later able to use this IWB as evidence of employers paying a “poverty wage” and together with the SPD introduce a national minimum wage.

Table 1 An index of inclusive Unionism 1985-2005, Source (Gordon 2015)

Country	Average union density	Union centralization	Involvement in UB administration	Inclusive unionism
USA	14.4	29.2	0.0	14.5
Japan	23.6	24.1	0.0	15.9
UK	35.1	29.7	0.0	21.6
New Zealand	33.4	33.7	0.0	22.4
Canada	31.8	39.0	0.0	23.6
Australia	32.8	47.3	0.0	26.7
France	9.6	25.1	50.0	28.2
Ireland	47.8	42.2	0.0	30.0
Norway	56.3	54.2	0.0	36.8
Switzerland	22.1	39.7	50.0	37.3
Italy	37.3	36.4	50.0	41.2
Germany	28.8	47.2	50.0	42.0
Netherlands	24.2	59.4	50.0	44.5
Austria	41.7	85.9	50.0	59.2
Belgium	53.0	48.5	100.0	67.2
Finland	75.2	39.1	100.0	71.4
Denmark	75.2	45.6	100.0	73.6
Sweden	80.8	55.3	100.0	78.7

4.3 Assumption 3

I assume that the configuration of policy legacies in the system of taxes and social contributions influences policy design of an IWB. These design choices result from path dependency in the tax and benefit systems. For example, the wage floor levels will lead the IWB-design in certain directions.

In Austria and Switzerland, the wage floor is determined by collective agreements for various sectors. This was also the case in Germany until 2015 when a national minimum wage was implemented ('Minimum Wage Statistics - Statistics Explained' n.d.).

The wage floor is defined as "*The lowest possible wage within a wage bracket, [...]*". The wage bracket in turn is the range between the lowest and highest possible wage offered at a given job description ('Wage Floor' n.d.). To compare the wage floors of the three country cases, I use two data sources. One is the incidence of low pay from the OECD as seen in Figure 9. The other one is the calculated wage floor for each country by their national *Lohnindex* (wage-index) as seen in Figure 10 and Figure 11. The OECD divides wage levels by high and low wages and the incidence of low wage refers to the share of workers earning less than two-thirds of median earnings ('Earnings and Wages - Wage Levels - OECD Data' n.d.). This way, I can see the share of people affected by the calculated wage floor.

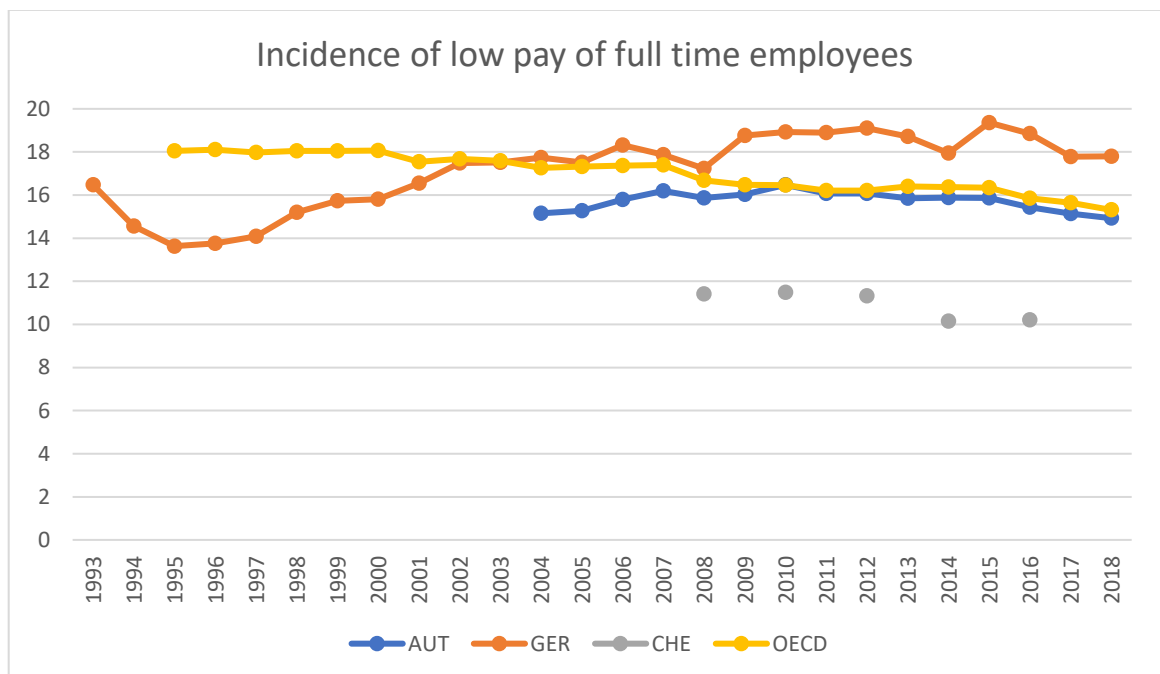


Figure 9 Incidence of Low Pay, Source OECD

Unfortunately, data for Switzerland is very scarce, as it starts from 2008 and is given every second year. The share of low pay in Austria remained stable at around 15 % and Germany's share grew constantly from the year 1995 onwards, until the introduction of the minimum wage and is now at a level of 18 %. It is also the only country of the three cases which' incidence of low pay is above OECD average.

Regarding the wage-index, the following indices were obtained for calculation of the wage floor: *Tariflohnindex* (Index of agreed minimum wages) for Austria, *Index der Tarifverdienste und Arbeitszeiten* (Index of agreed monthly and hourly earnings) for Germany and *Schweizerischer Lohnindex* (Swiss wage index) for Switzerland ('Tariflohnindex' n.d.; 'Tarifverdienste, Tarifbindung' n.d.; Statistik n.d.). The index for each country works the same. A given tariff wage is set with 100 points at the index for a base year, then the changes in the wage level are calculated into the index level. The base years are different for each country. The representativity also varies for each country as for example Austria creates this index for each sector, even at the agreed minimum wage and then takes the average of all sectors for the total Austrian economy. Germanys index does not cover as much sectors as the Austrian index and varies in the longitudinal data set for certain sectors. This means that from 1995 until 2009 the wage index for Germanys total economy is not as representative as data for each sector is given the first time in 2010.

To calculate the wage floor, I calculated given wage backwards from the year 2019 as seen in Figure 10. For Austria, I chose 1500€ because the social partners agreed that no tariff wage shall be below this level from 2019 onwards ('Mindestlohn' n.d.). For Germany, I used the national minimum wage for the years 2015-2019 and calculated backwards from 2015 ('Länderübersicht' n.d.). Switzerland implemented a minimum wage in three cantons due to the Covid-19 economic crisis. It accounts for 23 CHF in Geneva and 20 CHF (18 €) for Neuenburg and Jura (Herzog 2020). The latter one has been taken into account for the calculation of a minimum wage of 3024 € which is then used to calculate the wage floor backwards. For comparative reasons I calculated the purchasing power parities of the wage floor (Figure 11).

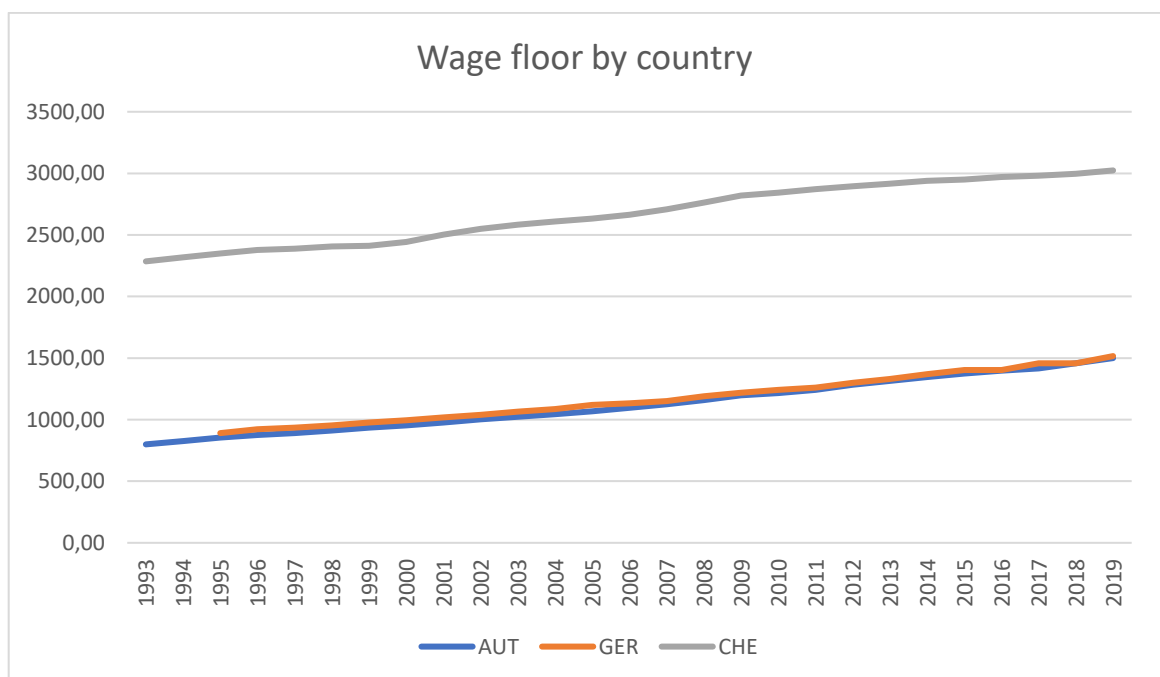


Figure 10 wage floor calculated by the author

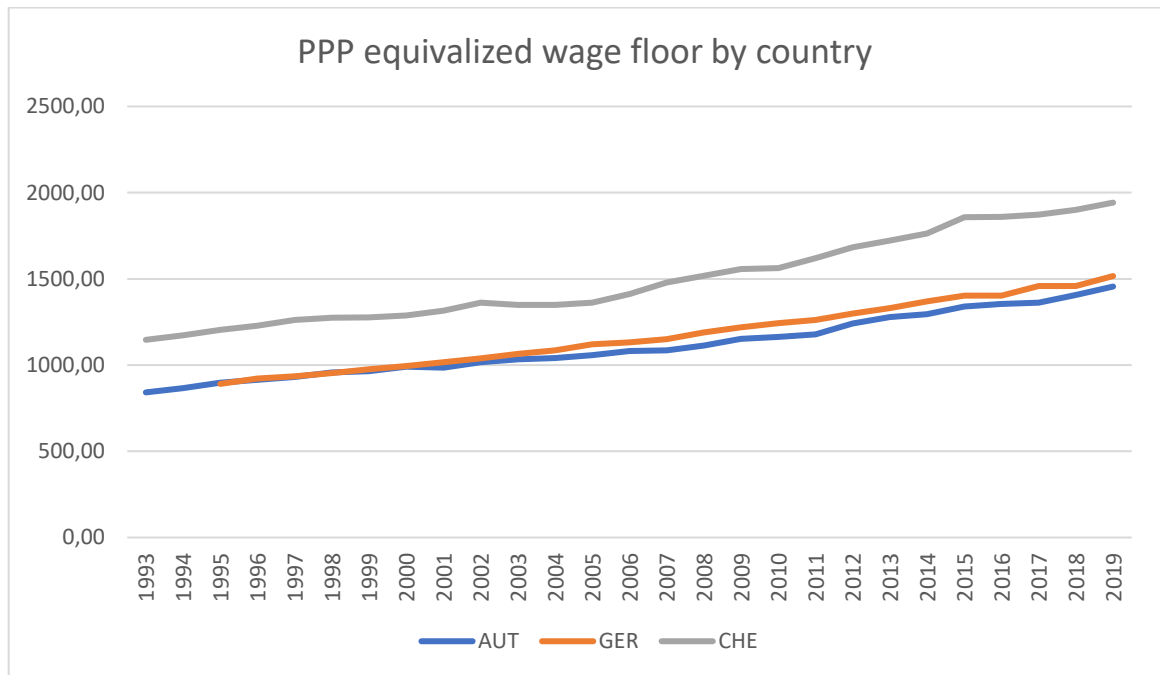


Figure 11 PPP equivalized wage floor calculated by the author

The wage floor levels of Austria and Germany are very similar. The gap towards the swiss wage floor sinks when we use the PPP equivalized wage floor. To put this in international comparison, one can use the existing national minimum wages in the EU. They vary from 312 € to 2142 € in the year 2021 ('Minimum Wage Statistics - Statistics Explained' n.d.). Eurostat divides them into three groups: lower than 500 € per month, 500 € - 1000 € per month and higher than 1000 € per month. This means that the wage floor of all three countries is high.

Regarding my assumption based on Kenworthys (2015) statement, the IWB design in Austria in the form of a refundable tax credit makes sense with the high wage floor of that country. To draw conclusions from the German case, it is important to remember that Kenworthy made that statement with reference to the *Minijobs*, which he defined as IWBs. However, and as noted in chapter 1, various other scientists do not include the reduction of social security contributions in their definitions of IWBs (and neither do I). Still, the already existing *Minijobs* make it less effective to implement another IWB in the same design. With that in mind, it is reasonable that Germany would not implement an RTC at that time even with their high wage floor.

4.4 Assumption 4

I assume that partisan politics play an important role in designing the shape of the IWB-policy and have the following opposing preferences: The right tends more towards the “liberal welfare regime style”, meaning the form of in-work cash transfers. The left is generally against any form of IWBs but is more willing to accept them in the form of a refundable tax credit.

Table 2 lists the government composition in Austria from the year 1994 until 2020. In the years prior to the IWB-implementation a great coalition between the conservative party (ÖVP) and the social democrats (SPÖ) made up the government.

Table 2 Austrian Government Composition; Source Parl.gov.org

Government Year	Cabinet Name	Government Composition	
1990	Vranitzky III	ÖVP	SPÖ
1994	Vranitzky IV	ÖVP	SPÖ
1996	Vranitzky V	ÖVP	SPÖ
1997	Klima I	ÖVP	SPÖ
1999	Klima II	ÖVP	SPÖ
2000	Schüssel I	ÖVP	FPÖ
2002	Schüssel II	ÖVP	FPÖ
2003	Schüssel III	ÖVP	FPÖ
2005	Schüssel IV	ÖVP	BZÖ
2007	Gusenbauer	ÖVP	SPÖ
2008	Faymann I	ÖVP	SPÖ
2013	Faymann II	ÖVP	SPÖ
2016	Kern	ÖVP	SPÖ
2017	Kurz I	ÖVP	FPÖ
2019	Bierlein	None	
2020	Kurz II	ÖVP	Grüne

As mentioned in Chapter 2 the *Alleinverdienerabsetzbetrag* (sole earner tax credit) and *Alleinerzieherabsetzbetrag* (single parent tax credit) work in the same way but differ in their eligibility conditions. This happens in the form, that the single parent tax credit benefits women, as they make up the bigger share of lone parents. The sole earner tax credit is used more often by men, mostly in the time when the spouse is in parental leave and therefore covers some the loss of earnings of that time (Rille-Pfeiffer and Kapella 2017). The single parent tax credit is criticized for reducing the incentives for women to pick up work as it supports the male-breadwinner-model, which is also supported by the ÖVP. The single parent tax credit on the other hand recognizes the strain on (mostly female) lone parents. The reform in 1998 that made both tax credits refundable and therefore changed them to an IWB-policy, seems to be a horse-trade between SPÖ and ÖVP. This trade was only possible because both tax credits already existed prior to the reform in 1998

which renders the need to implement another IWB useless. Given the facts that the economic pressure on Austria is comparatively low and the unions comparatively strong, I would argue that no new IWB-policy would have been introduced.

The government composition of Germany is shown in Table 3. The 1990 “Red-Green” coalition government already introduced the *Mainzer model* (an experimental regional programme to raise the net-income through subsidies and tax exemptions) but put a stop to it later because of the low take-up of the programme. Following a scandal about the manipulation of official job placement figures, the government introduced the Hartz reforms which were implemented in four steps in the years 2002-2005. The last step Hartz IV implemented the *Grundsicherung für Arbeitssuchende* (basic allowance for jobseekers) which is an IWB-policy in the form of UBplus. The term “basic allowance for jobseekers” is misleading because the eligibility condition is merely to have not enough income while being “capable of being gainfully employed” (Clasen 2020, 6).

Table 3 German Government Composition, Source Parl.gov.org

Government Year	Cabinet Name	Government Composition	
1998	Schröder I	SPD	B90/Grü
2002	Schröder II	SPD	B90/Grü
2005	Merkel I	CDU+CSU	SPD
2009	Merkel II	CDU+CSU	FDP
2013	Merkel III	CDU+CSU	SPD
2017	Merkel IV	CDU+CSU	SPD
2018	Merkel V	CDU+CSU	SPD

Even though it was a centre-left government that implemented the IWB there was broad approval among the main opposition parties. Again, it is not uncommon for IWB to have cross-party support, since they raise the net-income and increase work incentives. However, because of the unexpected high number of Hartz IV recipients the following “grand-coalition” government between the conservatives (CDU/CSU) and social democrats (SPD) introduced some reforms to transfer Hartz IV recipients into other benefit schemes as already mentioned in chapter 4.1. The centre-left government did not implement an IWB in the archetypical style of a liberal welfare regime, but still the incorporation of that IWB within Hartz IV resulted in a negative image of dependent wage-earners and employers only paying a “poverty wage”. This stands in contrast to my assumption. The only underlying explanation to this is that it was not expected that the number of claimants would be that high.

In Table 4 one can see the government composition of Switzerland starting in the year 1995. Over the whole time period the social democrats (SP), conservatives (KK/CVP) and liberals (FDP) were consistently within the government. The right-wing party (SVP) was part of the government with one exception in 2007 and in the years 2008-2015 the green party (BDP) had a place in the government too.

Table 4 Swiss Government Composition, Source Parl.gov.org

Government Year	Cabinet Name	Government Composition				
1995	Bundesrat 1995	FDP	KK/CVP	SP	SVP	
1999	Bundesrat 1999	FDP	KK/CVP	SP	SVP	
2003	Bundesrat 2003	FDP	KK/CVP	SP	SVP	
2007	Bundesrat 2007	FDP	KK/CVP	SP		
2008	Bundesrat 2008	FDP	KK/CVP	SP	SVP	BDP
2011	Bundesrat 2011	FDP	KK/CVP	SP	SVP	BDP
2015	Bundesrat 2015	FDP	KK/CVP	SP	SVP	
2019	Bundesrat 2019	FDP	KK/CVP	SP	SVP	

It is custom practice for the swiss parliament to elect a government where the four strongest party shall make up the cabinet. Moreover, each of those parties must have been voted into parliament twice. The underlying motivation is to represent the strongest political ideologies. Given the fact, that IWBs are met with broad support and cross-party alliances, this oversized coalition should not pose a problem to the implementation of such a policy, if needed.

5 Discussion

The empirical findings in view from chapter 4 demand a critical reflection of the before stated assumptions.

With respect to assumption 1, the influence of economic pressures that convinces political actors to implement IWBs, the findings do confirm that as Germany was affected by higher convergent pressures than Austria and Switzerland and did implement IWBs in response to that. Austria may have introduced an IWB as well, but the difference is that Austria merely reformed existing tax-benefits whereas Germany introduced a completely new policy within the Hartz reforms. What was striking is that the implementation of the new UBplus policy in Germany lead to a rise in in-work poverty and underemployment and even though findings for gendered economic data did not show a significant difference before the IWB implementation, women were stronger affected by the rise in in-work poverty and underemployment. Normally, IWBs are used to tackle the dual problem of unemployment and in-work poverty, with no macroeconomic employment impact. The German case, however yielded a different picture where an IWB is implemented to lower the unemployment rate at an expense of rising in-work poverty.

Regarding the second assumption, that unions normally resist IWBs with two exceptions, the findings depict a different scenario. Both Germany and Austria rank higher on the inclusive union-index than Switzerland, which is on the other hand the only country without an IWB-policy in place. However, the latter one can be explained by referring to assumption 1, where low economic pressure in Switzerland do not create the need for IWBs in the first place. The other two scenarios can be explained with the help of the two exceptions for unions to not resist IWBs, namely if they are either weakened or the labour market highly dualized and low-wage competition threatens high-wage unions. The first one is the case in Germany and the consequences of the IWB lead ultimately to the introduction of a statutory minimum wage.

All three country cases are characterized by high wage floors, with Switzerland having the highest one and Germany and Austria being on an equal level. The assumption that high wage floors and existing tax and benefit policies can be partially confirmed. Austria already had existing non-refundable tax credits in place. Therefore, a reform to make them refundable, which changes them to an IWB, can be seen as a path dependent result from the high wage floor and existing policies. The difference in Germany is not the level of the wage floor but the fact that the *Minijobs* already work as an RTC and therefore render it meaningless to implement an additional IWB-policy designed in the form of an RTC. This only leaves room for IWBs in the form of IWCT or UBplus.

Lastly, assumption 4 about the influence of partisan politics could not be confirmed in the way it was formulated in this paper. I assumed that the left is generally against the policy of IWBs and the right prefers the IWB-design in form of IWCT. The results showed, that in Germany a centre-left government implemented the IWB in form of UBplus and in Austria the grand coalition between the conservatives and social democrats introduced the RTC. Regarding the German case, I suppose the reason the left government to implement such a policy lies in the expectation of a low demand for it. The Austrian IWB seems to be the result of a trade-off between both parties.

6 Conclusion

The aim of this thesis was to explain why Austria, Germany and Switzerland have different in-work policies implemented. In order to do so, a two-step research design has been conducted. First, a structured literature analysis has been done to find factors that can explain the variation of in-work benefits across different countries. The political economic structure (labour market structure and corporatism), the welfare regime, the partisan politics and the policy legacy (path dependency) are found to be factors that lead to a variation of IWBs. Drawing from these findings I developed several assumptions as to how these factors do influence the policy variation.

I assumed that unemployment pressure, underemployment pressure and high rates of in-work-poverty makes political actors consider implementing IWBs and that unions normally resist the introduction of such policies. Furthermore, I assumed that the configuration of policy legacies in the tax system and the level of wage floors as well as partisan politics have an impact on the design and form of the IWB implemented.

In the second step, I gathered empirical data to reflect those assumptions in view of the results. The findings do indeed show that the variation between the three country cases can be explained with the factors found in the literature. Germany was under strong economic pressure, had weaker unions and the high wage floor as well as existing benefits lead to the implementation of an IWB in the form of UBplus. Austria's IWB design is due to the high wage floor as well as the strong influence of the conservative party in government. The fact that Austria implemented an IWB even though economic pressure is lower and unions stronger compared to Germany seems to be due to the role of the EU, as it promotes the expansion of active labour market policies. Switzerland, serving as a counterfactual case, supports this explanation as it is the only country among those three without an IWB in place but in a similar economic situation as Austria for the observed time period.

For future research, I recommend to conduct ground level interviews with various political actors connected to the policy implementation to gather complementary data.

Abstract

This work aims to explain variation in the implementation of in-work benefits between Austria, Germany and Switzerland, three countries belonging to the corporatist welfare regime. The analysis is done by firstly reviewing the scientific literature in this field to identify factors that are regarded as connected to the variation of in-work benefits. From these findings, several assumptions are then deduced that explain how these factors determine variation in the implementation of in-work policies and in a second step embedded and reflected in the context of empirical data. The author finds evidence that economic pressure lead to the implementation of in-work benefits and that the configuration of policy legacies in the tax system, partisan politics and the level of wage floors impact the policy-design.

Zusammenfassung

Das Ziel der Arbeit ist es die Unterschiede zwischen Ländern mit einem Bismarck-Wohlfahrtsregime, in vorliegendem Fall sind das Österreich, Deutschland und die Schweiz, mit Hinblick Implementierung von sogenannten in-work benefits zu erklären. Dabei werden zunächst aus der wissenschaftlichen Literatur in diesem Feld, vier Faktoren ermittelt die im Zusammenhang mit der Variation von in-work benefits stehen. Anschließend werden, basierend auf dieser Analyse, Annahmen getroffen, wie ebenjene Faktoren die Implementierung von in-work benefits beeinflussen. Im letzten Schritt werden diese Annahmen im Hintergrund empirischer Daten reflektiert. Die Ergebnisse zeigen, dass ökonomische Bedingungen dazu führen, dass in-work benefits eingeführt werden und die bestehende Konstellation im Steuersystem, Parteipolitik und die Höhe der Lohnuntergrenze das Design der policy beeinflussen.

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