

Growth, Employment and Social Inclusion: The Service Trilemma Revisited

Bea Cantillon
University of Antwerp

This paper looks at changes in the interrelationship between poverty and employment, social transfers and new spending on services over time. In doing so we will test the recommodification (social benefits became less generous) and the resource competition hypotheses (old spending on social transfers was crowded out by new less distributive spending). In doing so we will revise and extend the Iversen and Wren model that formed the basis of the influential 'Social service Trilemma' hypothesis (Iversen and Wren, 1998). We will expand the Iversen and Wren model by integrating a larger number of countries. More importantly, we will not only look at wage inequalities and public outlays for wages but also at the impact of social redistribution on poverty. This is important because the EU and OECD indicators suggest that nations were indeed able to avoid the social service Trilemma: before the crisis social spending has been kept under control, wage inequalities have remained largely unchanged (Cholezas and Tsakloglou, 2009), while employment has risen significantly (although not always to the benefit of the poor). However, the trends in Europe do suggest that governments may have found a way out of the supposed Trilemma by lowering social protection for those who remained outside the labour market while making social spending less-pro poor (resource competition hypothesis) We will model the interrelationship between work, social protection and poverty using ECHP/EU-SILC data and indicators of public social spending, public outlays for wages, employment, wage distribution and poverty pre- and post taxes and social benefits.