



# Targeting within universalism

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## Abstract

The idea of targeting within universalism has been evoked frequently, usually as a best of both worlds' strategy. The approach remains difficult to identify, however, because targeting is usually measured as the opposite of universalism. This article proposes to consider targeting and universalism as two distinct dimensions of the welfare state, the opposite of universalism being more usefully understood as residualism, and not as pro-poor targeting. Four welfare state possibilities then emerge, combining a position on the universalism/residualism axis and one on the pro-poor/pro-rich axis: universalism (France, for instance), targeting within universalism (Denmark), targeting within residualism (the United States) and pro-rich residualism (Japan). We show that targeting within universalism entails pro-poor targeting without means testing, a combination that can be achieved with limits on the earnings-relatedness of the pension system and generous transfers to the working age population. Thus understood, targeting within universalism proves to be an effective redistributive strategy, better to redistribute than mere targeting, and less costly than universalism pure and simple.

## Keywords

OECD, poverty reduction, redistribution, targeting, transfers, universalism, welfare state

## Targeting within universalism

The idea of targeting within universalism has been evoked frequently, usually as a best of both worlds' strategy. Why not indeed combine the political legitimacy and institutional solidity of an encompassing welfare state with the redistributive efficiency of targeted programmes? When Theda Skocpol coined the concept in the early 1990s, she clearly located the approach within a universalist framework. Targeting within universalism, for her, meant making room

within 'universal policy frameworks for extra benefits and services that disproportionately help less privileged people without stigmatizing them' (Skocpol, 1991: 414). Skocpol offered some examples drawn from existing American social policies,

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but she did not develop an elaborate conception of what targeting within universalism entailed. The notion nevertheless struck a chord, because it seemed to offer a reasonable way out of the long social policy debate about selectivity and universalism, a modicum of targeting within a broadly universalist arrangement (Kenworthy, 2011: 61; Martínez Franzoni and Sánchez-Ancochea, 2016: 45; Van Lancker et al., 2015).

To specify and operationalize the concept, two dimensions must be combined. The first is institutional and focuses on policy intentions, or the logic that underpins social transfers. It defines universalism. The second concerns policy outcomes and compares the distribution of transfers under different institutional arrangements. This dimension measures targeting. Targeting within universalism is present when a country combines universal welfare state institutions and cash transfers with pro-poor outcomes, precisely the type of arrangement that Skocpol had in mind.

Traditionally, the focus was solely on outcomes. This conceptualization and measurement approach was pioneered by Walter Korpi and Joakim Palme. In their seminal 1998 article on the paradox of redistribution, they contrasted various types of welfare states based on an ‘index of targeting of transfer income’, which measured the concentration of transfers on low- or high-income households (Korpi and Palme, 1998: 684). A similar measure was used recently by Lane Kenworthy (2011: 61–2), and Ive Marx et al. (2016), to assess different national redistribution strategies. The idea is to characterize welfare states according to the pro-poor (or pro-rich) distribution of their transfers. There are two problems with this approach. First, as it has been noted elsewhere, the measure of outcomes provides an imperfect assessment of welfare state institutions because outcomes are shaped by a number of exogenous economic and social conditions (Marchal and Van Lancker, 2019; Van Lancker and Van Mechelen, 2015). Second, as a single metric, the concentration coefficient for transfers does not allow a clear conceptualization of a hybrid configuration like targeting within universalism, except as a possible combination of opposite traits, a pattern, writes Marx et al. (2016) ‘whereby countries that have strong

targeting within one provision have more universal tendencies in other’ (p. 21; see also Kenworthy, 2011: 61–2). It remains difficult, from this standpoint, to draw the boundaries between universalism, targeting, and targeting within universalism. What is exactly the mix of targeted and universal programmes that would allow us to speak of targeting within universalism?

An alternative avenue to capture targeting within universalism focuses not on outcomes but on intentions, as anchored in welfare state institutions. The idea is to look at the logic and rules that govern social programmes to differentiate practices and countries according to their more or less universal character. This can be done at the level of specific programmes (Marchal and Van Lancker, 2019; Van Lancker and Van Mechelen, 2015), or for entire countries with encompassing indicators of welfare state design (Brady and Burroway, 2012). This institutional approach is useful to locate social programmes or welfare states along a continuum going from residualism to universalism, but it does not offer a clear conceptualization of targeting within universalism, because it basically opposes universalism and targeting. A programme or a country simply appears as more or less universal. As with the first perspective based on outcomes, this focus on institutions leaves targeting within universalism as an unspecified halfway house, an undefined mix of universal and selective programmes.

A third, more promising option, considers both intentions and outcomes, using distinct measures to capture the two dimensions. David Brady and Amie Bostic (2015) have pioneered this approach in a recent article, where they use the homogeneity of transfers as an indicator of universalism, distinct from concentration coefficients, best understood as measures of targeting.

In this article, we adopt a variant of this perspective, and combine measures of institutional intentions and of distributive outcomes to develop a conceptualization and operationalization of targeting within universalism. The institutional approach is used to determine the location of a welfare state on the universal/residual continuum and the outcomes perspective to establish whether transfers are targeted towards the poor or not. A universal welfare

state is understood as one that offers public social programmes to all citizens, with little or no means or income testing, and limited private alternatives. Targeting within universalism takes place when such an institutional design is combined with pro-poor transfers. If we label the opposite of universalism as residualism, the following four distinct configurations can be identified and measured: universalism (France, for instance), targeting within universalism (Denmark), targeting within residualism (the United States) and pro-rich residualism (Japan).

The first part of the article develops this argument about the two welfare state dimensions necessary to provide a clear conceptualization of targeting within universalism, it explains measurement choices, relates to earlier studies disentangling different dimensions of targeting and universalism such as Brady and Bostic (2015) and Marchal and Van Lancker (2019), and locates OECD countries on the resulting targeting/universalism quadrant. The Nordic countries, Belgium and New Zealand, emerge as targeting within universalism welfare states.

The article then looks under the hood, to see what policies bring a state to achieve targeting within universalism. This is our main empirical contribution. The question is intriguing because the transfers of the countries identified as such do not rely strongly on means-tested mechanisms, and yet they produce pro-poor redistributive outcomes. The answer lies in the configuration of old age pensions, everywhere a major social transfer, and in the level of transfers towards working-age people. Among universal welfare states, countries that spend relatively more on pensions, and especially on earnings-related contributory programmes, tend to be pro-rich, and countries that make a greater effort for working-age people tend to be pro-poor. When old age spending is not exceedingly pro-rich and when working-age transfers prove generous, the result is targeting within universalism.

What about redistribution? Is it better to have universalism pure and simple or should we bet on targeting within universalism? This question is addressed in the third part of the article, which reaffirms the importance of universalism for redistribution. By themselves, without a universalist context sustaining a generous social budget, pro-poor transfers do not

help the poor. Targeting within universalism, however, seems to be an effective road towards redistribution, because it combines the virtues of universalism with the selective impact of pro-poor transfers. Universalism favours high levels of social expenditures and, thus, redistribution, while targeting maximizes the impact of social spending on the poor.

The last part of the article pulls the threads together to identify, with a qualitative truth table, the various welfare state and redistribution configurations that exist within the OECD and outline, in particular, the difference between three types of universalism: universalism pure and simple, pro-old universalism, and targeting within universalism. The conclusion wraps up and stresses the potential advantages of targeting within universalism.

## **Concepts, measurement and evidence: what is targeting within universalism?**

### *Concepts*

In the comparative study of the welfare state, universalism has long been understood as the polar opposite of targeting, both concepts being measured by the same indicator; a concentration coefficient calculating the distribution of transfers across a population. The idea, first introduced by Korpi and Palme (1998), is to operationalize targeting and universalism by their redistributive outcomes. Universal welfare states would be more prone to give equally to all, targeting welfare states more likely to favour the poor (Kenworthy, 2011; Marx et al., 2016). Measures of outcomes, however, remain imperfect indicators of targeting and universalism because they reflect not only the impact of welfare institutions, but also that of other social or economic factors (Marchal and Van Lancker, 2019; Van Lancker and Van Mechelen, 2015). Because they measure policy and institutional orientations by their impact on beneficiaries, concentration coefficients can be ‘highly dependent on the characteristics of the underlying population’ (Marx et al., 2016: 6). A universal programme for single parents, for instance, may appear pro-poor if most of these parents have low incomes.

More importantly, concentration coefficients conflate two different dimensions of the welfare state: its more or less universalist institutional design and its impact on different income groups. As they do so, they make it difficult to locate a targeting within universalism strategy, because the two aspects, targeting and universalism, constitute the two ends of a single opposition. Targeting within universalism merely appears as a position somewhere around the middle, when enough but not all programmes are provided on a universal logic (Kenworthy, 2011; Marx et al., 2016).

An alternative to this empirical strategy is to associate targeting and universalism with policy intentions rather than with outcomes. In a recent article, Sarah Marchal and Wim Van Lancker (2019) define targeting as ‘the extent to which benefits are designed to be higher and lower for people with higher or lower incomes’ and use the family model approach to assess the design, and not the outcome, of specific programmes. This approach also uses concentration coefficients, but it does so to assess the intended rather than the observed distribution of a given transfer. As the authors recognize, this perspective usefully disentangles intentions and outcomes and better allows us to identify strategies of targeting within universalism, but it does so at the cost of leaving aside important information on the actual composition of households or on the generosity of a country’s cash transfers. We can see whether the design of a benefit is targeted or not, but cannot identify the relative importance of targeting or universality in the overall distribution of cash transfers.

In an enlightening discussion of universalism, Anneli Anttonen and Jorma Sipilä contrast the British tradition, with its emphasis on flat-rate benefits, and the Nordic approach, more focused on inclusion and social rights. In the Nordic perspective, ‘as long as the same system includes everyone, it is universal, even if benefits are earnings-related’ (Anttonen and Sipilä, 2012: 34). The proper opposite of universalism, from this standpoint, is not targeting but residualism. Whereas universalism ‘sees the public welfare services as normal, “first line” functions of modern industrial society’, residualism considers that they ‘should come into play only when the so-called “normal” institutions of supply – the family and the

market – break down’ (Anttonen et al., 2012: 5). Universal welfare states may incorporate a pro-poor orientation in their cash transfers, but they remain universal insofar as ‘all people in need can use the same system’ (Anttonen et al., 2012: 6). The key contrast, in this understanding of universalism, is not measured by the concentration of transfers but by the recognition or not of social rights that prevail over family or market mechanisms.

In a recent article on redistribution, Brady and Bostic (2015) offer an empirical avenue to assess these concepts, with distinct measures that disentangle universalism from low-income targeting. Using Luxembourg Income Study data, they add to the usual concentration coefficients of transfers the inverse coefficient of variation in the absolute amount of transfers, taken as an indicator of the more or less universal character of social transfers. Intuitively, their indicator of universalism seems plausible, with Sweden at one end and Japan at the other end. Its focus on transfers, however, leaves aside social services such as healthcare or day care, often seen as the linchpin of universalism, and certainly major components of the social budget (Esping-Andersen and Myles, 2009: 653–55).

The index of universalism we proposed in an earlier article (Jacques and Noël, 2018) offers an alternative avenue, consistent with a perspective that understands universalism as the extent to which cash transfers and social services are ‘normal’ and designed for ‘all people in need’. This index combines with a factor analysis two indicators developed by the OECD. The first is a measure of the percentage of cash transfers that are income tested, and the second, the proportion of private spending in total social expenditures. As mentioned earlier, income testing is not, in itself, incompatible with universalism. It can be argued, however, that a high proportion of income-tested transfers is indicative of a residual welfare state. Indeed, universalism is broadly understood as contrary to an excessive reliance on means tests (Korpi and Palme, 1998; Rothstein, 1998). As for the proportion of private spending in total social expenditures, it has the advantage of considering social services, and not only transfers. When the welfare state makes citizens pay for private services, the market tends to be considered as the ‘normal’

provider, and public services become more residual (Béland et al., 2014: 752).

As Marchal and Van Lancker (2019) note, our universalism/residualism indicator does not isolate entirely policy intentions from the social and economic context. But no indicator does. Brady and Bostic coefficient of variation is also influenced by exogenous factors. If the transfers allocated to certain age groups are more heterogeneous than those allocated to the rest of the population, for instance, demographic characteristics will affect the coefficient of variation. Our indicator has the advantage of providing an easily accessible, macro-institutional measure of universalism, which, albeit imperfect, can be considered apart from redistributive outcomes. When combined with an aggregate indicator of outcomes, the conventional concentration coefficient for cash transfers, this indicator of universalism/residualism makes targeting within universalism identifiable, as a combination of universalist institutions and pro-poor outcomes.

## Measurement

To determine how targeting relates to universalism, we use the same cases as Pablo Beramendi, Silja Häusermann, Herbert Kitschelt and Hanspeter Kriesi in *The Politics of Advanced Capitalism*, based on the same criteria:

countries whose democracies have been in operation for more than one generation, whose purchasing power parity assessed affluence (per capita GDP) according to World Bank data exceeded \$25,000 international dollars in 2011, and whose population is greater than 4 million inhabitants. (2015: 4)

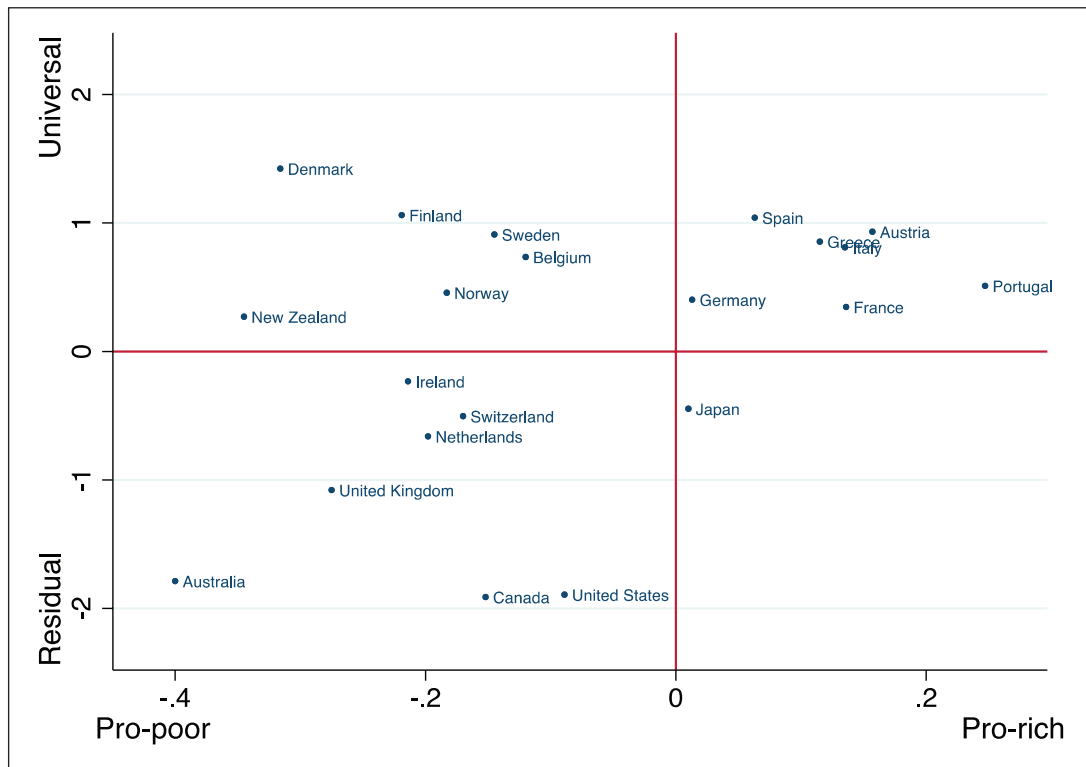
These criteria identify the following cases: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The years selected are identified as the mid-2000s because the concentration coefficients for social transfers provided by the OECD are for this period. All other variables used in the analysis are for 2005.

The indicator of residualism/universalism in institutions is drawn from an earlier article (Jacques and

Noël, 2018). More explicit explanations on the construction of this indicator can be found in the Supplemental material. For 2005, the index of universalism ranges from -1.91 (Canada) to 1.42 (Denmark). As for targeting in outcomes, the pro-poor/pro-rich distinction, we use the OECD concentration coefficient of cash social benefits for the entire population, because we are interested in the balance of spending between generations (OECD, 2008: 105). The concentration coefficient measures the distribution of transfers across income categories. It ranges from -1 (when all transfers go to the lower income category) to 1 (when all transfers go to the higher income category). If the poor get a higher share of transfers than their share of disposable income, the targeting measure is negative and the transfers are deemed pro-poor; when the coefficient is near 0, all income categories receive the same absolute amount of transfers, as one would expect with perfectly universal programmes; when the coefficient is positive, the transfers are deemed pro-rich (Marx et al., 2016: 6; OECD, 2008: 104–5, 2015: 319).

Because it relates the distribution of transfers to that of disposable income, the concentration coefficient is influenced by a country's income distribution. A flat-rate universal transfer, for instance, will appear more pro-poor in a highly unequal country, because the poor will have a large transfer share relative to their share of income. To correct for this difference among countries, some authors use a Kakwani index, which takes into account the distribution of income by subtracting the Gini index of income from the concentration coefficient of transfers (Prasad and Deng, 2009: 439). For our data, however, this operation would make little difference – the correlation coefficient between the untransformed concentration coefficient and the Kakwani index equals 0.98. With the OECD untransformed concentration coefficient, the targeting orientation of the countries in our sample ranges from -0.40 (Australia: pro-poor) to 0.25 (Portugal: pro-rich).

To measure the impact of the different welfare state arrangements on redistribution, we use the 'standard approach' with OECD data (OECD, 2018a; Van Lancker et al., 2015) and calculate relative redistribution – the Gini for market incomes minus the Gini for disposable incomes, divided by the Gini for market incomes – a measure that facilitates comparisons by



**Figure 1.** Targeting and universalism, OECD countries, mid-2000s.

Source: OECD (2008: 105).

taking into account different market income starting points (Causa and Hermansen, 2017: 24–25). We employ the same procedure for poverty reduction, using the OECD proportion of persons with an income below 50% of the median, before and after taxes and transfers. These measures of redistribution are not perfect, because they rest on the unlikely assumption that the market distribution of income is unaffected by the welfare state, but they remain the best available (Esping-Andersen and Myles, 2009). The third section considers alternative measurements of concentration coefficients and income redistribution that do not change the main relationships between universalism, targeting and redistribution.

### Evidence

Whether they are residual or universal, welfare states can be pro-poor or not. When the two dimensions are

represented on a single graph, as in Figure 1, it becomes clear that pro-poor targeting is not the opposite of universalism. Many universal welfare states, including the four Nordic countries, display pro-poor outcomes. At the same time, all residual welfare states except Japan also have pro-poor outcomes. From this standpoint, the following four welfare state profiles can be drawn: universalism (Austria, France, Germany and the Mediterranean countries), targeting within universalism (the Nordic countries, Belgium and New Zealand), targeting with residualism (most English-speaking countries, the Netherlands and Switzerland) and residualism without targeting (Japan). Universalist institutions and pro-poor outcomes represent distinct dimensions of the welfare state.

The most surprising case in Figure 1 may be that of New Zealand, a country that comes out as slightly universal, contrary to its usual classification as a



typical English-speaking liberal welfare state. For one thing, this standard classification may be a bit hasty. In the 1930s, New Zealand emerged as a leading welfare state and it is not clear if it has entirely reverted to a residual welfare state afterward (Castles, 2010: 633–34). More importantly, the country's score for universalism reflects a particularly low level of private social expenditures, which is probably tied to a universal, flat-rate and generous public pension system that brings the country closer to Denmark than to other English-speaking nations (Scruggs and Allan, 2006: 62; St John and Willmore, 2001). The other cases are largely located where one would expect.

### How is targeting within universalism achieved?

To achieve targeting within universalism, a country must create universal institutions that produce pro-poor outcomes, without resorting overwhelmingly to means tests. How is pro-poor targeting possible, then, if not with a means test? How can social transfers be concentrated on the poor in a country that does not design its social transfers on the basis of earned incomes? What is the recipe for targeting within universalism? This section, which presents our main empirical contribution, shows that this configuration can emerge when old age pensions are not overwhelmingly pro-rich and when transfers aimed at working-age people are generous.

One cannot underestimate the importance of pensions in the welfare state. On average, in our 21 cases, spending on old age programmes (pensions and survivors) account for more than a third (37%) of social spending. For the old, the welfare state acts primarily as a piggy bank, seeking to replace and maintain lost income after retirement. In programmes for working-age adults, there are also elements of income replacement (in unemployment insurance for instance) but the prevailing logic is more that of a Robin Hood, taking from the rich to give to the poor (OECD, 2008: 100). Universal welfare states that give generously to working-age adults are thus more likely to have targeted outcomes. This does not mean that there is necessarily a trade-off between expenditures for the old and for working-age adults.

A country could spend generously on both categories and successfully support the poor. Such an orientation, however, would come at a cost, and create more significant constraints on public finance.

To document this interpretation, we consider, in turn, the relationship between old age expenditures and pro-rich targeting, and the impact of transfers to working-age adults on the pro-pooriness of public social expenditures.

### *Old age expenditures and pro-rich targeting*

The level of public spending on pensions largely explains the concentration coefficients of social transfers. Figure A2, presented in the Supplemental material, shows the strong relationship between a country's public expenditures on old age programmes and the overall concentration coefficient of social transfers ( $R=0.78$ ). Countries that spend the most on the old have pro-rich transfers; countries that spend less have pro-poor transfers. If we restrict the sample to universal welfare states only, the relationship between old age expenditures and pro-pooriness is just as strong ( $R=0.78$ ).

Demography has a direct impact on the level of pension expenditures (Tepe and Vanhuysse, 2010). The more the population of a country is old, the more the state is spending on pensions and the more likely the state is to display pro-rich outcomes. However, the impact of the institutional design of the pension system cannot be ignored.

Pension systems generally have three tiers. The first one is a basic, usually flat-rate benefit funded by general taxation. It can either be universal or income tested, but is always pro-poor, even when the benefits are universal and equal, because most pensioners have relatively low market incomes (Joumard et al., 2012: 44). The second tier is based on an insurance principle, provides income replacement and is funded by social security contributions. This second tier can be strongly pro-rich, precisely because it aims to replace pre-retirement incomes. The third tier is a private complement and tends to be more developed when the second tier is less generous. This private third tier may contribute to inequality among the elderly (Been et al., 2017; Jang, 2019),

but it has no effect on the pro-poorness of the public pension system.

High levels of expenditures on old age cash transfers tend to generate pro-rich outcomes, because they are associated with generous second tier programmes, which provide high replacement rates for pre-retirement incomes, even for those with high earnings. Thus, the pro-poor or pro-rich character of a pension system depends on the relative generosity of the first (assistance) and second (insurance) tiers (Joumard et al., 2012). Pro-poor pensions systems can be of two kinds: either they provide a flat-rate universal first tier with no second tier (New Zealand) or with a relatively meagre second tier that leaves room for a private third tier (Canada); or they combine a solid first tier with a rather generous (but not too costly) public insurance scheme (Belgium, Denmark). Pro-rich schemes, however, prioritize the insurance principle and neglect the first tier, essential for persons with low incomes.

Using the OECD *Pensions at a Glance* data (2007), it is possible to contrast the different pension systems by comparing their net replacement rates for different pre-retirement incomes (Jang, 2019). A small difference between the net replacement rates for low- and high-income pre-retirement earnings means the pension system spends a lot to maintain the standard of living of high-income individuals or is particularly ungenerous for low-income individuals. Such a pro-rich outcome is typical of Bismarckian welfare states, where social security contributions support costly, high replacement rates for high-income individuals. In contrast, pension systems without strong second tier programmes offer less to high-income earners and, relatively, more to households with low incomes.

Figure A3, presented in the Supplemental material, associates the level of public pension expenditures to the difference in net replacement rates for men whose pre-retirement earnings stood at 50% or 200% of the average ( $R = -0.61$ ). In New Zealand and Canada, for instance, the difference is large because the replacement rate for high-income individuals is much lower than for low-income earners (23.3% and 30.8% respectively, compared to 79.5% and 75.4%). Limited at the top, public spending on pensions remains modest. Italy, however, presents

the ideal-typical scenario of a welfare state with a costly and pro-rich pension system, which provides similarly high replacement rates for both high- and low-income pensioners (Lynch, 2006). Denmark appears to be a strong case of targeting within universalism, with very high replacement rates for the poor (132%), but generous ones for the rich as well (72%), with an average level of spending.

For a similar proportion of elderly population, a country with a higher replacement rate for middle- and high-income individuals will spend more on pensions and have more pro-rich outcomes (see Supplemental Table A1, for a regression analysis confirming this observation). For example, France and Austria, with typical earnings-related Bismarckian pension systems, have a smaller share of elderly population but significantly higher pension expenditures than Finland, Belgium and Sweden, three cases of targeting within universalism (see Supplemental Figure A4). On the contrary, pension systems with an important first tier end up with lower expenditures. Denmark and Norway, for instance, have a relatively young population, but their large first tier, even compared to other universalist countries, also limit their pension expenditures (see Supplemental Figures A5 and A6). While Italy has among the oldest population of the sample, it is conceivable that it would spend less if its pension system was less earnings-related.

The relationship between earnings-related pensions and levels of old age expenditures holds just as well if we consider only universal welfare states ( $R = -0.59$ ). These patterns help differentiate targeting within universalism, which provides relatively generous pensions to low-income individuals, from universalism, where strong earnings-related contributory pension systems tend to be maintained. Targeting within universalism, however, is not only an effect of pension systems. It concerns programmes for working-age adults as well.

### *Transfers to working-age adults: pro-poor targeting without a means test*

Many programmes aimed at working-age adults are means-tested, as can be gathered from the OECD measure of income-tested transfers used here to build the index of universalism. These benefits



include income-tested measures for families, the unemployed, or persons with disabilities that are close to the logic of social assistance and typically pro-poor (Adema et al., 2011: 19).

Many cash benefits can be pro-poor without an income test, however, if they concern primarily categories of the population with low incomes. Take, for instance, incapacity benefits, the most important cash transfer after pensions. These programmes constitute a large but overlooked component of the welfare state, counting for nearly 2% of GDP in OECD countries and for up to 3% in the Nordic countries and the Netherlands. Before the 2008 financial crisis, an average of 6% of the OECD working-age population was receiving some disability benefits. Because those concerned have lower incomes than average, generous disability transfers for all have a pro-poor effect (Joumard et al., 2012).

This redistributive logic has a stronger impact in universal welfare states, where disability benefits are encompassing and generous. By contrast, in residual welfare states, for lack of solid dedicated programmes, people with a disability often end up without any protection or on social assistance, which is certainly pro-poor but much less inclusive and generous (OECD, 2010: 18–22). In the mid-2000s, the countries with the most pro-poor concentration coefficients for disability benefits were Australia and New Zealand ( $-0.35$ ), but Belgium ( $-0.27$ ) and Denmark ( $-0.18$ ) were not far behind (OECD, 2008: 106). Denmark and New Zealand, however, spent more on disability benefits, and were, thus, more likely to reduce poverty (3.2% of GDP in Denmark and 2.8% in New Zealand, compared to 1.9% in Australia and 1.8% in Belgium).

Similar conclusions can be drawn for family and unemployment benefits. Because they are largely uniform and advantage households with more children, family benefits tend to have a pro-poor orientation even when they do not rely on an income test, and their pro-poor orientation is reinforced when children are poorer than average (Joumard et al., 2012: 47–8; OECD, 2008: 106). For unemployment benefits, the redistributive impact seems even more obvious: those who qualify being unemployed, they inevitably have low market incomes. Overall, the concentration coefficient of unemployment benefits

is negative (OECD, 2008: 106). When all cash transfers to working-age adults are considered, the net impact tends to be pro-poor (OECD, 2008: 105). With or without income testing, these transfers give comparatively more to the poor because they primarily benefit categories of persons with lower incomes.

The correlation between expenditures aimed at working-age adults and the concentration coefficient of transfers for all is negative, which means that the more a country spends for these adults, the more pro-poor are its transfers ( $R = -0.35$ ). This relationship is stronger among universal welfare states only ( $R = -0.63$ ), where it helps differentiate universalism from targeting within universalism (see Supplemental Figure A7). The Nordic countries and Belgium, in particular, spend a lot on transfers to working-age adults, and they have pro-poor outcomes. Generous expenditures on programmes for the working-age population explain how Finland and Sweden maintain an overall pro-poor orientation despite their earnings-related pension systems. The relationship between working-age spending and pro-poorness is particularly clear when we leave aside New Zealand ( $R = -0.79$ ), whose level of spending remains considerably lower than that of other universalist welfare states. Still, New Zealand spends proportionately more on its working-age adults than on its old age population, which contributes to explain its pro-poor concentration coefficient. Interestingly, in contrast to spending on the elderly, demographic trends do not explain the level of working-age expenditures. These expenditures derive only from policy intentions: countries with a larger share of working-age population are not spending more on working-age social benefits, to the contrary (see Supplemental Figure A8 showing no relationship between the size of the working-age population and working-age spending).

How much do old age and working-age expenditures contribute to the pro-poor character of transfers in a universal welfare state? A linear regression with standardized coefficients suggests that both factors play a role. A high level of old age expenditures contributes to a pro-rich bias, whereas generous transfers for working-age adults reinforce the pro-poor character of the welfare state, the former having a stronger impact than the latter. These relationships

**Table 1.** Correlations between universalism, the size of the social budget, concentration coefficients for social transfers and redistributive outcomes, 21 OECD countries, mid-2000s.

	Universalism	Social expenditures	Concentration coefficient	Redistribution	Poverty reduction
Universalism	1				
Social expenditures	0.73	1			
Concentration coefficient	0.36	0.40	1		
Redistribution	0.58	0.78	-0.1	1	
Poverty reduction	0.60	0.78	-0.005	0.89	1

Sources: OECD (2008, 2018a, 2018b)

hold even when controlling for demography (see results in the Supplemental material, Table A2).

Targeting within universalism is thus best achieved when a welfare state balances expenditures between generations, contributing not too much for the elderly, and especially for the well-to-do elderly, and spending generously for working-age adults. When this happens, universalist intentions combine effectively with pro-poor outcomes, to generate targeting within universalism, and what may be a balanced generational welfare contract (Birnbaum et al., 2017).

### **What is the impact of targeting within universalism on redistribution?**

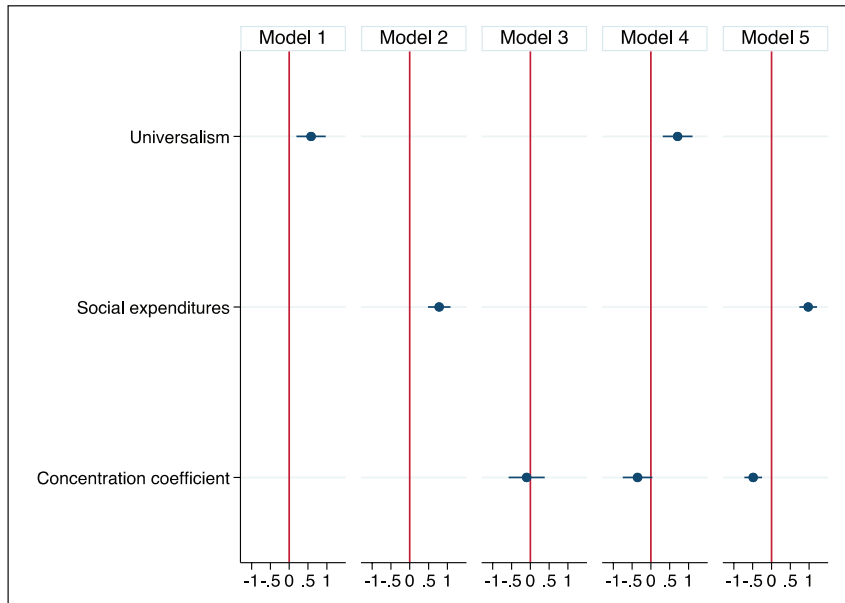
Income redistribution and poverty reduction are a function of the total size of cash transfers and of their degree of targeting in favour of the poor. In theory, a large social expenditures envelope and a pro-poor concentration of benefits should both contribute to redistribution (Ferrarini et al., 2016: 23). The literature on welfare state universalism, however, suggests that the size of the social budget matters more than pro-poor targeting in achieving redistribution. In a universal welfare state, the middle class is willing to fund ambitious social programmes for all because it also benefits from them. By contrast, in a residual welfare state, programmes are targeted towards the poor but prove meagre, because they have less political support and remain underfunded (Korpi and Palme, 1998).

In a recent multilevel analysis of poverty reduction in 40 middle- and high-income countries,

Tommy Ferrarini et al. (2016) find that the targeting of transfer income is never significant, whereas the size of transfers always matter, a result that is consistent with the standard understanding about the virtues of universalism (p. 35). As the authors recognize, this finding does not preclude a targeting within universalism strategy, whereby ‘well-designed targeted programmes’ would help the poor in a broader context of universalism (Ferrarini, 2016: 23). The impact of targeting may simply be lost in a multilevel regression for 40 countries.

Bivariate correlations for our 21 OECD countries, presented in Table 1, confirm the strong relationships between universalism, the size of the social budget, redistribution and poverty reduction (similar relationships obtain with actual inequality outcomes and poverty rates; see Supplemental Table A3). These results are consistent with studies that outline the importance of universalism for redistribution (Ferrarini et al., 2016; Korpi and Palme, 1998). By itself, pro-poor targeting does little for redistribution, as can be seen in Table 1. This lack of relationship between a pro-poor orientation and redistribution suggests that many countries are pro-poor primarily because they help few but the poor, and do so without enthusiasm. Measures of redistribution based on the Luxembourg Income Study and a different measure of income ranking for pensions give similar results (see Supplemental material, Table A4).

The size of social transfers, encouraged by universalism, matters more than their pro-poor concentration for redistribution and poverty reduction. For a similar social budget, however, a welfare state with stronger pro-poor targeting achieves better



**Figure 2.** Models predicting redistribution, standardized coefficients, 21 OECD countries, mid 2000s.

redistributive results than one with pro-rich transfers. Figure 2 presents the results of simple regression models estimating the respective effects of universalism, social expenditures and pro-poor targeting on redistribution. As can be seen already in Table 1, universalism and social expenditures (models 1 and 2) have a significant impact on redistribution, whereas the concentration coefficient of transfers does not (model 3). When universalism or the size of the social budget are held constant, however, as in models 4 and 5, concentration coefficients display a significant effect on redistribution, in the expected direction. Universalism, and more directly the size of the social budget, works with pro-poor transfers to facilitate redistribution, with the impact of social expenditures about twice as large as that of pro-poorness, as indicated by the standardized coefficients (0.98 and  $-0.49$ ). While targeting alone does little for redistribution, targeting within universalism appears effective (Supplemental Tables A5, A6 and A7 present detailed results for redistribution, poverty reduction and inequality). For a similar level of universalism and of social expenditures, for instance, Sweden achieves better redistribution results than France

because its transfers are pro-poor. We can now put together the pieces of the puzzle, to compare and contrast our different cases.

### Three variants of universalism

Welfare states vary along a number of dimensions. They can be more or less universalist or residual, more or less pro-poor, and more or less successful at redistribution and poverty reduction. We know that universalism is favourable to redistribution. But among universal welfare states, some are pro-poor (Denmark) and some are not (France), and some succeed better in reducing poverty (Belgium) than others (Spain). Here, we reach the limits of conventional quantitative approaches, more suited to estimate the average effect of a cause, say universalism, than to evaluate how different causes produce distinct outcomes in specific cases (Goertz and Mahoney, 2012: 41–2). For this purpose, we use a simple truth table as in qualitative comparative analysis (QCA).

We compute a truth table for the determinants of poverty reduction (the raw data are presented in the Supplemental material, Table A8). We opt for poverty reduction as the outcome, rather than

**Table 2.** Truth table for poverty reduction.

N	Universalism	Pro-poor transfers	Poverty reduction	
6	0	1	0	Targeting (Australia, Canada, Ireland, Switzerland, United Kingdom, United States)
5	1	1	1	Targeting within universalism (Belgium, Denmark, Finland, Norway, Sweden)
4	1	0	0	Pro-old universalism (Greece, Italy, Portugal, Spain)
3	1	0	1	Universalism (Austria, France, Germany)
1	0	0	0	Pro-old residualism (Japan)
1	1	1	0	(New Zealand)
1	0	1	1	(Netherlands)

redistribution, because if pro-poor targeting means anything, it should lead to poverty reduction. If we took redistribution as an outcome, however, the same broad patterns would emerge; only the residual cases would change (results available from the authors on request). All variables are dichotomized: for universalism, a value of 1 is attributed if the score is positive, and 0 if it is negative; for targeting, a value of 1 is given if the concentration coefficient is negative (pro-poor) and of 0 if it is positive (pro-rich); and the poverty reduction variable takes a value of 1 when a country's score is above the median, and 0 otherwise. When we combine the different cases, we obtain the truth table presented in Table 2.

The most common configuration (N=6) is the residual welfare state, with pro-poor targeting but little poverty reduction. It includes most English-speaking countries (except New Zealand) and Switzerland. This is Esping-Andersen's liberal welfare state par excellence. These are also the countries where income support for working-age adults proves the most conflictual between income groups (Deeming, 2018). Following closely (N=5) are countries that practice targeting within universalism (the Nordics plus Belgium): universalist, pro-poor and successful at poverty reduction, largely because they have solid pension programmes for all and high levels of cash transfers for working-age adults. Nearby are three cases that share all the characteristics of the Nordics, except that they do not target the poor (Austria, France and Germany). These welfare states are classically universalist and do well regarding poverty, because they devote generous resources to working-age adults. The third most important

group (N=4) includes four identical cases of pro-old universalism, the Mediterranean countries, which are universal but not pro-poor and low spenders on working-age transfers, a characteristic that prevents them from achieving significant poverty reduction. The remaining cases are borderline: the Netherlands, not too far from the targeting within universalism pattern, and New Zealand, near the targeting model because of its low level of social expenditures. More distinctive is the case of Japan, displaying a pattern on its own: pro-old residualism.

## Conclusion

This article seeks to give content to the widespread but poorly specified idea of targeting within universalism, which often sounds like an attempt to have one's cake and eat it too. Our argument proceeds in four steps. First, following Brady and Bostic (2015), we explain that pro-poor targeting should not be seen as the opposite of universalism, but rather as a distinct aspect of the welfare state. The opposite of universalism can more usefully be understood as residualism. Once we do so, four welfare state possibilities emerge, combining a position on the universalism/residualism axis and one on the pro-poor/pro-rich axis. Some universal welfare states target the poor, others do not.

Second, we analyse why one variant of universalism is able to achieve pro-poor targeting without means testing while the other offers pro-rich transfers. Earnings-related pensions systems giving high replacements rates to well-to-do seniors are expensive and tend to be pro-rich. Such institutional design explains why high levels of pensions expenditures are

associated with pro-rich targeting. Also, because transfers to the working-age population are often offered to poorer categories of the population, high levels of working-age spending are associated with pro-poor-ness, especially among universal welfare states. Targeting within universalism is thus a combination of high social spending aimed at the working-age population with limits on the degree of earnings-relatedness of the pension system.

Sustaining targeting within universalism is challenging. On the one hand, earnings-related pensions are essential to maintain middle-class support for the welfare state as they crowd out private alternative, but on the other hand, they bias social spending in favour of the rich. The key to achieve targeting within universalism, or even to deliver on the redistributive promises of universalism tout court, is to sustain high levels of working-age benefits. If, however, aging and fiscal pressures make the trade-off between old age and working-age spending more acute, governments might have to choose between generous pensions and solid pro-poor benefits for the working age population, both options being susceptible to receiving middle-class support.

Third, we establish, following others before us, that pro-poor targeting does not necessarily help the poor (Ferrarini et al., 2016). The best approach to reduce poverty is not targeting but rather universalism, because it leads to a larger social budget. This being said, for a given level of social expenditures, pro-poor welfare states achieve better poverty reduction than pro-rich welfare states. Thus, targeting within universalism seems to make a more effective use of the state's financial resources.

Fourth, we put together the different dimensions in a truth table, to find that there are five distinct roads to welfare redistribution. Two of them pertain to the residual welfare state and do not redistribute effectively, whether or not they target the poor. The three other configurations belong to the world of universalism. One of them, not successful regarding poverty, is the pro-old universalism of Mediterranean countries, which simply does not provide enough to lift working-age adults out of poverty. The other two, universalism and targeting within universalism, present solid universalist credentials and spend generously on working-age cash transfers. For a given

level of social expenditures, however, targeting within universalism achieves more redistribution.

To conclude, targeting within universalism does exist, it takes place in the Nordic countries and in Belgium, and appears to be an effective approach to redistribution and poverty reduction. One should always remember, however, that the secret of this welfare configuration lies less in targeting than in its universal dimension. Pro-poor targeting in these welfare states constitutes an unplanned outcome of a deliberate effort to protect the income of working-age adults. It sustains redistribution because it is embodied in universalism and premised on a large social budget. Targeting alone, however, never yields the same results. If one were to choose between targeting and universalism, universalism would always remain the best option.

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### Supplemental material

Supplemental material for this article is available online.

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