

7. Social Assistance

On social assistance fundamentals

What is social assistance?

The term *social assistance* encompasses different types of budget-financed programmes targeted at the most destitute segments of the population. This definition contains two important elements that make it possible to differentiate social assistance from other governmental social protection programmes. The first one is that social assistance is always targeted towards the poor according to clearly defined criteria. The second refers to budget financing of social assistance programmes and points to the fact that beneficiaries do not have to pay insurance against specific types of risks in order to receive benefits.

In most cases, the notion of social assistance implies the payment/distribution of benefits, in cash or in kind. In kind benefits include distribution of goods (most often food), as well as programmes which provide the poorest with free or subsidized access to social welfare services, e.g. accommodation in homes for the elderly, day care institutions for persons with disabilities, kindergartens, social housing, different types of employment training courses, health care and education, and the like.

Social assistance is part of social protection. Most systems differentiate between social assistance programmes and social insurance programmes, which are two integral elements of social pro-

170 tection. The protection of the poor is also provided through universal benefits to families with children or persons with disabilities and universal access to education, employment programmes and interventions on the labour market, which, just like social insurance, do not target only the poor and can be preventive in character.

One of the most important differences between individual social assistance models arises from the role played by this protection instrument in different systems. In some systems social assistance constitutes the main and dominant instrument for protecting the poor. In other systems social assistance is an instrument that is activated only after all other protective mechanisms have failed in securing a sustained minimum standard of living.

Also, social assistance can be an instrument that provides only a minimum standard of living to beneficiaries, but also an instrument that should enable more equal income distribution, inequality reduction and a higher degree of social cohesion/inclusion. As an instrument of social inclusion, social assistance can also be used for achieving objectives in other segments of the social sector, such as in education or health.

In recent years, another objective has been added to social assistance programmes – that it should enable those beneficiaries who are able to work to re-enter the labour market. Models of social assistance can now be differentiated by the degree to which they are linked to employment initiatives and activation of beneficiaries: «Jobs for those who can work, protection for those who cannot»¹. A requirement for able-bodied beneficiaries to work in order to receive benefits is a fundamental change in modelling social assistance. (Lodemel and Trickey, 2000, p. 2; Adema, 2006 p. 14).

There are also differences among social assistance models related to the level of centralization or decentralization of a system. Depending on whether national legislation regulates rules, or whether local levels are autonomous in decision-making, hence in the financing of this protection instrument. In most OECD countries, the amounts of benefits and criteria according to which benefits are distributed are centralized, although there are also mixed

1 The United Kingdom's Green Paper on Social Reform, quoted in Aust and Ariba (2004, p. 12).

systems, as well as highly decentralized systems (OECD, 1998, annex p.12-14; Neubourg et al., 2006, p.18). Even in those countries where “all the rules” are defined at the central level, administration and implementation are left to the local level². 171

How to help?

There are several types of social assistance programmes:

- Social assistance in cash, aimed at securing minimum income
- Child allowances, cash benefits targeted to poorer families
- Subsidising subsistence goods, such as food, housing, electricity and such
- Assistance in food, such as soup and school kitchens
- Free access to services for the poor
- Public works, one of the goals of which is to give the poor a chance to earn income
- Loans and other benefits aimed at encouraging self-employment, etc

In developing countries, assistance to the poor is mostly irregular and in the form of food distribution (direct distribution of food or food vouchers, free meals for children in schools, nutrition programmes for pregnant women and the sick...). Recently there has been an increase in the number of programmes that not only provide benefits but also have other pro-poor development objectives. Such programmes create incentives for children to go to school or, for example, improve the local infrastructure in the poorest communities (social investment funds³) through public works that secure food for the poor (instead of wages in cash). In countries where regular cash transfers do exist, benefits are targeted at specific groups – the elderly, war veterans, the chronically ill, orphans, widows, the HIV/AIDS affected, etc. (Subbaro, 2003; Tabor 2002; Lindert *et al.*, 2006).

2 On the other hand, in Switzerland, for instance, where social assistance falls within the competences of municipalities, there are no major differences among individual schemes, since most local authorities observe expert guidelines distributed from the central level. (Adema, 2006, p.16)

3 Social investment funds finance small-scale projects mostly of an infrastructure nature (local roads, school reconstructions) that are selected with the participation of the local population.

172 In developing countries, particularly in the poorest ones, informal and non-governmental types of assistance for the poor are still very important. Among them, one of the prevailing forms is support provided by family members. The non-governmental support also includes assistance from the church, local communities and neighbours, humanitarian organizations and such.

Both in more developed countries and in countries in transition, the basic role in providing social assistance has been taken on by the government, through regular support for the poor, by providing a considerable portion of benefits in cash (Tabor, 2002). Programmes of social assistance in cash imply, first and foremost, transfers aimed at securing minimum income, with special benefits for poor families with children, as well as transfers targeted towards the elderly with low-income. In those countries where disability allowances are not part of social insurance, persons with disabilities often receive cash benefits, which can also be directed only to the poor (Adema, 2006).

In kind programmes that do not involve cash transfers are also very well developed, even dominant, in particular countries⁴. These programmes include distribution of food vouchers, subsidies for rents, energy, and accommodation in homes for the elderly. Instead of cash benefits, the government can distribute coupons for food to poor families, or “reduce” their electricity bills or rents, by paying for the differential from the budget. In kind programmes also refer to budget financed health care of uninsured poor individuals or other social services for the poor elderly or persons with disabilities. In addition to compelling the poor to spend assistance on concrete goods and services, in kind allowances can be politically supported for other reasons, too. The government-subsidised construction of apartments for the poor can be strongly supported, for instance, by the construction lobby, food coupon programmes by the agricultural lobby, etc.

4 In the U.S., for instance, more than 70% of social assistance programmes do not involve cash. Half of the social assistance expenditure covers the costs of MEDICAID, a programme which provides free health care to poor families. (Stiglitz, 2004, p. 404)

The fact that the poor need to be assisted has become a practically universally accepted principle of state politics in a large number of countries. However, different motives and rationales for accepting this universal principle could be considered.

Rights based approach. One of the elements of a rights-based approach to development is non-discrimination and attention to vulnerable groups. This approach is based on a view that development is a fundamental human right and entails that the poor are entitled to certain social and economic rights, when they are not in the position to provide for themselves and their families. This is sometimes referred to as distributive justice and prescribes a certain just distribution of income that every society must adhere to. It could be argued that the principle is unfair since there is no such thing as the right of one person to another person's money in a market economy, nor does the government have the unambiguous right to take from one and give to another.

Humanitarian discourse. Many people feel that it is kind and compassionate to help the poor and that it is necessary to give to those that do not have sufficient means for survival, especially to vulnerable categories such as persons with disability and children from poor families. This standpoint is humane and founded on principals adopted by all civilisations in the contemporary world. It is highly unacceptable to watch people starve to death, but there is the question of who is expected to help them. Should it be the government, using its tax power, or better-off citizens, voluntarily? Voluntarism, however, may have several drawbacks: this type of assistance to the poor would probably be insufficient in a poor country, and then there are the questions on how this assistance would be distributed and whether all those in need would receive the assistance.

Child based approach. This approach is based on the argument that children are innocent and that they are entitled to a good starting position in their lives, regardless of the fact that they have been born into families where the parents are poor. Assistance should be targeted towards children in poor families in order to end the "vicious circle of poverty" and prevents these children from becoming poor adults. This approach also builds on the

174 need to invest in human capital, one of the crucial elements for development.

Political rationale. Some governments/parties consider it politically profitable to defend the interests of specific vulnerable categories, for instance poor families with children, in the case when such a group represents a sizable amount of the population/electorate.

Winning over “losers” in the transition process. This approach is important in order to secure support for further reforms. Transition processes, such as transition from socialism to a free market system, usually result in increased poverty since many individuals cannot adjust quickly to the new circumstances. Providing assistance to these “transitional” poor can be beneficial both economically and socially, since it is expected that this category will need assistance only temporarily. This support would enable them to survive the “transition shock” and would offset potential resistance to further reforms necessary to complete the process of transition.

Government assistance programmes for the poor can be perceived twofold: as a form of redistribution and as a kind of “insurance”. Redistribution consists of regular money transfers, primarily to the long-term (chronic) and non-able bodied poor who are unable to provide sufficient income for themselves and their families.

The second component, “insurance”, could be perceived as a government-organized insurance against poverty. All citizens through taxes pay an “insurance premium” to the state that they can “draw on” in case they fall into poverty. In other words, this component is practically an “insurance” against the uncertainty and unfavourable consequences present in a market economy. This component pertains to short-term (temporary) and transitional poverty, and represents the consequence of the non-existence of efficient private insurance against poverty.

From the economic point of view, assistance to the poor can have both negative and positive effects. The negative are: 1) money that is spent for assistance could have been spent in a more productive manner (investments, repayment of debts etc.), 2) assistance can bring moral hazard, such as can decreasing the motivation of social assistance beneficiaries to find a job and independently earn an income for themselves and their families. The positive effects of a

social assistance system should be: 1) preventing the decrease in human capital (education, health), 2) preventing crime, and 3) providing political support for economic reforms during transition. 175

Influence of politics?

Every social assistance programme inevitably has a political aspect that should not be overlooked. Elements of political nature have to be taken into consideration because the government, quite naturally, seeks to maximise its chances at the next elections.

From the political point of view, governments usually prefer providing social transfers to a large a number of citizens instead of targeting only a limited number of truly poor beneficiaries (the middle voter theorem). Thus, instead of immediate cash support to poor people, widespread politics of subsidising basic products and services that is beneficial to the entire population might be preferred. The problems with this strategy, otherwise possibly correct from the point of view of government rating, lie in the negative effects on economic efficiency, fiscal insustainability and insufficient support for the poor for whom, ostensibly, the programme was brought into being.

Apart from wide targeting and subsidies, it is good for government rating, as world experience proves, to lean on self-targeting and on assistance in kind instead of cash. Self-targeting enables the exclusion of political and other influences on the choice of users of governmental assistance because the users themselves do so. In kind assistance, especially in countries where the income is high, and thus assistance for the poor is high as well, is more popular because, in this manner, the objection that poor people buy alcohol, cigarettes and so forth from governmental assistance is avoided.

The government is usually under pressure from the loudest, and not the poorest. Therefore the strategic question is whether it will succeed in defence against the pressure of the louder, better organized groups or whether it will succumb to them, at least partially sacrificing the poorest, because the poor are usually not very well organized and therefore neither loud nor politically influential. Favouring those who are politically more powerful and louder over those more in need of assistance is common practice, but it leads to greater costs and inefficiency.

Social Assistance

In most of countries social assistance spending is not high and it is considerably lower than the spending on social insurance. At the level of broader regions, the share of social assistance spending is not higher than 2.5% of GDP (World Bank, 2006, p.149).

The most widely accepted typology in the literature is the one that differentiates among three models of social protection in developed countries: liberal, conservative-corporatist and social democratic⁵. From the standpoint of the role played by social assistance in these models relative to other benefits, their main characteristics could be succinctly expressed by the following description:

1. The liberal model, which is mainly based on targeted benefits, heavily relying on social assistance instruments, with low levels of social insurance and universal benefits. This model is applied in Anglo-Saxon countries.
2. The conservative-corporatist model, that relies predominantly on social insurance, while social assistance has only a residual role. Typical representatives of this model are Germany, Italy, Belgium, Austria and France.
3. The social democratic model - based mainly on universal benefits, with social assistance playing a minor role in the social protection system – is primarily intended to be a short-term solution in crisis situations. This model is typically used in Nordic countries.

In liberal systems, social assistance is the main instrument of social protection. A typical liberal model would have relatively low overall social protection spending, a high share of targeted programmes, relatively low social assistance benefits and liberal value norms vis-à-vis work ethics. Australia and New Zealand are, in a way, extreme representatives of this model, bearing in mind that in those countries there is almost no social insurance, and the targeted benefits are the only instruments available to the poor. The U.S. system, on the other hand, is characterized by a somewhat higher share of social insurance, but social protection to a

5 This classification was introduced by Esping-Anderson in 1990 and despite various subsequently proposed modifications most researchers have accepted the original typology.

significant extent basically relies on a large number of social assistance programmes, which are targeted and include means testing of beneficiaries. Out of the total social protection expenditure, 40% is spent on social assistance and means-tested benefits. The system is characterized, therefore, by a relatively large number of assistance recipients, low benefits and a link between benefits and employment (Neubourg and Castonguay, 2006, p.4, 22).

In continental Europe, social assistance is a secondary, residual protection instrument, which is activated only when all other protection mechanisms have failed in securing the maintenance of a minimum standard of living. Total social protection spending is high and accounts for 20 to 30% of GDP. Primary protection instruments, of an essentially preventive type, are universal benefits and/or benefits based on social insurance – universal health care, universal pension insurance, nearly free education, widespread and relatively high benefits for persons with disabilities, benefits directed to families, and unemployment benefits. More than 70% of social protection spending is allocated to pensions and health care and between 3 and 10% is allocated to social assistance. (Neubourg and Castonguay, 2006).

Outside OECD countries social protection is underdeveloped, the coverage of the population by insurance and universal benefits is low, and more comprehensive social assistance schemes exist in a small number of countries. More complex social protection systems can be found in middle-income countries, while in many developing countries protection instruments cannot even be established as part of a system.

Still, over the last two decades, most of countries have started to develop social assistance programmes. In part, these programmes started to develop in response to crises that broke out after natural disasters and war conflicts (the region of Asia and the Pacific) or economic and financial crises (Latin America).

In the poorest countries, social assistance programmes often constitute the only protection of the poor, more out of necessity than as a preferred choice. Additionally, these programmes are often financed from international sources and do not constitute part of the system, but are implemented on a project basis. Generally speaking, transfers aimed at the poor and vulnerable are characterized by low coverage, lack of sustainable financing sources and difficul-

178 ties in identifying the most vulnerable beneficiaries. Transfers are sometimes also used for political purposes. The lack of coordination among donors and overlapping competences of several line ministries included in the distribution of assistance additionally contribute to the overall inefficiency of social assistance (Devereux, 2006, p.2, 5-14; Smith and Subbarao, 2003, p.9, 21- 28).

In the region of Latin America, in the countries with relatively high social protection spending, social insurance spending is substantially higher than the spending on social assistance programmes, which account for 1.8% of GDP on average. Countries with low total spending on social protection, in which there is marked domination of social assistance programmes over other instruments of protection, allocate roughly 1% of their GDPs to these programmes (Lindert *et al.*, 2006, p.18).

In the region of Asia and the Pacific, many social assistance programmes are financed through grants and loans of international donors, and they are not sustainable. The World Bank estimates that social assistance in cash, which exists in just a few Asian countries, does not exceed 1% of their GDPs. The transfer-to-GDP ratios in the North Africa region range between 0.2 and 1% (Howell, 2001, p.285; Tzannatos, 2000, p. 25-26).

Characteristics of justifiable social assistance programme

Which characteristics should a social assistance programme have in order to justify the redistribution of budget resources in favour of the poor?

Targeting the Poorest (Whom to help?)

First and foremost, social assistance programmes should be targeted at **the poorest**. The question of who is really poor was discussed earlier in this study (Chapter 1). In line with those deliberations, assistance should be aimed primarily at the extremely poor who are not able to meet even the most basic needs for food, while in developed countries its coverage should also include those who cannot meet other basic needs according to the absolute poverty criterion (hygiene, housing, culture...). In the poorest coun-

tries where the number of the extremely poor is high and budget resources are very scarce, it is necessary to target those extremely poor categories that are also vulnerable in other terms - disability, single parent status, etc. Thus, assistance would be distributed only to those who are eligible according to more than one criterion – poverty and disability, for example.

In recent decades, particularly in the European Union, the criterion of relative poverty has been introduced, which potentially impacts on the inclusion into different types of assistance of families/individuals that can meet their basic needs, but their standard of living as a whole is considerably lower than that of other people in a given country. Although in reality this criterion does not explicitly affect amounts of cash benefits, its significance is growing in the context of “social exclusion” analysis and it has had an impact on benefits in kind and other types of channelling funds from the budget.

When designing the system of support for the poor it is also useful to make a distinction between short term (temporary) and transitional poverty, on one hand, and long-term poverty on the other.

Potential candidates for governmental assistance can be divided into three main groups. The first group includes people living in long-term poverty. This category is usually unable to work or insufficiently capable of working and earning a living for themselves and their families. Population groups often associated with long term poverty are persons with disability, children and the elderly.

The second group consists of persons that fall into short-term (temporary) poverty due to temporary hardship, such as economic shock, loss of employment, bankruptcy of the firm and so forth. These people have the capability to work and earn sufficient income, but they need assistance for overcoming temporary hardships.

The third category of candidates for governmental assistance are people falling into poverty due to economic transition, such as those immediately hit by reform measures in countries that are heavily restructuring companies and its economy. Similar to the group of short-term poor, this group also has the capability to work but has difficulties exploiting this capacity due to a temporarily unfavourable environment (transitional recessions, lack of demand for employees of their qualifications etc.).

The next requirement which a good programme should meet is to be **well targeted**. It should not leave out those who are poor, according to the established criteria, and should not include those who are not poor. Social assistance loses its point if a significant portion of the poor, especially those extremely poor, do not receive assistance, as well as if the significant part of the assistance does not go to those who are really poor, but “leaks” and ends up in the pockets of well-off segments (the so-called error of exclusion and error of inclusion). This requirement should be met through a careful choice of a good targeting mechanism.

Social assistance targeting mechanisms can be very complex, but also very simple. There are three basic types of social assistance targeting:

1. On the basis of disposable income and the resources of an individual or a family. This type of targeting implies means testing, a check of the material status, in order to secure that the right to assistance pertains to all those who are below the officially set poverty threshold. Means testing as a criterion for receiving assistance is applied in all developed countries and in most transition countries.
2. Indicator-based or proxy means tests, when the right to assistance is determined on the basis of one or more indicators that are clearly correlated with poverty. Indicator-based targeting is applied particularly in those countries where it is difficult/impossible to collect evidence for assessing income or assets. Indicators can be, for instance, the size of a household or region. In such a case, all households with a large number of household members or households that live in a poor region/part of a country are entitled to assistance. Indicators can also be linked to the level of education and occupation of the beneficiary, ownership of land or certain consumer goods, to housing conditions (e.g. packed-earth floors in houses).
3. Self targeting which, in fact, implies such a design of social assistance programmes which makes them acceptable only to the poorest, because of the specific nature of services, low benefits or high opportunity costs. If social assistance is low and application procedures require a lot of time and waiting,

the opportunity cost for all those who do not really need assistance becomes too high, and hence only the poorest apply for benefits. Public works also belong to typical programmes of this kind because they offer very low wages or food as remuneration for work, which is acceptable only to those who have no other source of livelihood. Benefits in kind involving products of a relatively low quality or on locations where the poor live will also fail in attracting those segments of the population that are relatively better-off.

Of course, combinations of these models are also possible. Thus, social assistance entitlements can be received only by large families with income below a certain level (a combination of indicator-based and means-tested targeting).

As a separate mechanism, it is possible to single out community-based targeting, with local groups or organizations deciding on the social assistance entitlements. There is not enough evidence to prove the efficiency of this mechanism that is applied in certain underdeveloped countries with insufficient administrative capacity, although there is a positive evaluation for a few countries (World Bank, 2006, p. 151).

The choice of the targeting mechanism clearly depends on the circumstances specific to individual countries, on administrative capacities, as well as on a reply to the question of the cost of more complex mechanisms. The income level as a criterion for receiving assistance is certainly not appropriate for underdeveloped countries where the poorest live in rural regions and they are not employed and earn no income, in those countries where the grey economy is highly prevalent, even dominant, or where household incomes greatly depend on unregistered remittances from abroad. More complex targeting mechanisms are also not applicable in those systems where administrative capacity is not developed or in poor countries, which cannot afford to have expensive administrative procedures in the circumstances in which they can pay to needy beneficiaries only very low benefits.

In more developed countries means testing is feasible and yields fairly good results. For less developed countries some kind of proxy targeting is probably the only acceptable solution, provided that relevant data is available. In the poorest countries, poverty indicators must be easily identifiable. In order to improve the efficiency

182 of targeting, it is important for both developed and less developed countries to include some of the elements of self-targeting, which should “deter” all those who do not really need assistance. Likewise, monitoring and evaluation are necessary requirements for further advancement of targeting mechanisms.

Targeting the Family

The third requirement is that assistance is aimed at a **family/household, rather than at an individual**. Regardless of the individual’s characteristics, if a person lives in a family, it is reasonable to take into account the financial status and characteristics of the household. An elderly person with a minimum pension or an unemployed single mother who lives in an extended family is not necessarily poor. In most OECD countries, social assistance as part of the guaranteed minimum income scheme is aimed at the household, not the individual (OECD, 2004, p.28).

Relatively Low Amounts of Benefits

The fourth requirement is that **the amounts of benefits** are determined in a satisfactory manner and that they do not give rise to moral hazard. If benefits are in cash, and the programme is part of guaranteeing a minimum income necessary to survive, the amounts of minimum wages and minimum pensions have to be taken into account in determining the level of benefits, for instance. Amounts cannot be determined so that those receiving social assistance are in a better financial position than those who work or who have been paying pension and disability insurance for many years. Similarly, the amounts of benefits must not give rise to moral hazard, which means that they must not produce incentives for an individual not to work or seek a job. The amounts of benefits are usually modelled in line with the endeavour, to prevent their levels from acting as disincentives for beneficiaries to get engaged in the active resolution of their subsistence-related problems.

The most equitable system for setting the total amount of benefits is the system of income top-ups, which implies that a household receives the difference between its actual income and the «poverty

Box 7.1

OECD countries

In most OECD countries the amounts of social assistance cash benefits are lower than the actual poverty threshold, and the income of families living exclusively on social assistance is low (at the level equal to roughly 20% of the median household income). (OECD, 2004, p.12). The amounts of benefits are usually modelled in line with the endeavour to prevent their levels from acting as disincentives to beneficiaries to get engaged in active resolution of their subsistence-related problems.

In almost all OECD countries, the explicit amounts of social assistance cash benefits are based on the top-up principle; they depend on the household's disposable income, i.e., resources, and supplement the household income up to the level defined as the minimum standard of living (OECD, 2004, p. 22). Total amounts vary depending on the composition and age structure of a household.

Box 7.2

Latin America

In Latin America, in the countries paying conditional cash transfers, amounts of benefits vary considerably and depend on the type of the programme and on the targeted population. In Mexico, benefits are conditional upon children attending schools, and cover direct costs of education – tuition fees, transportation expenses of commuting to school, etc., as well as opportunity costs, to compensate for the foregone revenue because children are going to school and do not contribute by working in the household. In Columbia, transfers are paid to the indigenous population in the amount which makes it possible to reach the extreme poverty line (provision for basic food needs). In Honduras, benefits reflect the value of time spent by mothers on travelling to a health centre and waiting for a medical examination. In Chile, the explicit amount of assistance is \$22 PPP per household on a monthly basis. (de la Brière, Rawlings, 2006, p.9. p.14)

184 line». A different solution would be unjust to those who are just above poverty line and thus not eligible for receiving assistance.

On the other hand, one still has to bear in mind that this arrangement is not flawless, because it disincentivises individuals with very low wages to work, since the amount of assistance is falling with a rise in other incomes of a household, including labour income. This fulfilment of the last requirement is, of course, not possible in the countries that do not use means testing based on income and assets, i.e., in poor countries. But even in the poorest countries one has to be careful to avoid the creation of disincentives to work because of the amounts of benefits.

In principled terms, the amounts of benefits should be at the level that satisfies minimum needs, whose definition depends on the historical and social context. In reality, the amounts of benefits are mostly not based on a poverty line or, for example, on the basket of essential goods and services, but quite the opposite. Social assistance, together with other social benefits, defines the level of the minimum standard of living which an individual society is willing to support/finance, and also greatly depends on the «budget reality», particularly in less developed countries (Adema, 2006, p.16, 28).

Box 7.3

Mozambique and Malawi

In the poorest countries the amounts of benefits are very low. In Mozambique, for instance, a programme of cash assistance, which in the mid-1990s covered nearly 80,000 extremely poor urban families, made a redistribution in the amount of a mere \$1 a month per household member. Still, it has been estimated that even such low amounts were significant for poverty reduction. In Malawi, the distribution of fertilizers and seed, which were transferred to small farmers over a three-year period as one-off assistance, was worth the equivalent of \$15 per household (Smith and Subbarao, 2003. p.21).

The fifth requirement is for the long-term assistance to be aimed primarily at the poor who cannot compete in the market (like persons with disabilities, the elderly, etc.), while for **able-bodied beneficiaries it should be temporary** and include compulsory work in return for benefits to avoid creating dependency.

Social assistance can stimulate a passivity and dependency syndrome in able-bodied beneficiaries. Instead of continuing to search for jobs and making an effort to provide for themselves and their family, social assistance beneficiaries can become passive and simply just rely on social assistance. Especially in the case when welfare assistance is sufficient for a decent living, the beneficiary may, through simple mathematics, reach the conclusion that work does not pay off and that it is better to receive the benefit. Social assistance almost inevitably affects the behaviour of the recipient, by demotivating the person to work (the choice between work and leisure).

This requirement, however, in practice leads to many dilemmas and constraints. First, the question is raised of how to deal with individuals who formally belong to the able-bodied part of the population, but cannot find jobs due to insufficient or inadequate qualifications, in particular if they are older. That is, if unemployment is already high or if the structure of labour demand is such that employment is not really possible for some. Which degree of disability qualifies an individual as incapacitated for work and should a person be automatically entitled to assistance, if, at the same time, there are people with same difficulties who work? How to treat single mothers with small children or a person who is caring for someone with a disability, if the amounts of benefits are barely enough to cover the basic costs of life? How to formulate compulsory work, and is it desirable for the state to organize this kind of activity? How do these programmes affect employment of other people and will they reduce incentives to social assistance beneficiaries to find regular employment? Finally, what will happen with the poor once their right to assistance has expired, in those cases where it is time-limited?

The U.S. belongs to those countries that have most radically reformed their cash benefit programmes, by introducing elements

186 of time limits and work requirements for able-bodied beneficiaries. A rise in the social protection expenditure in the last decade of the 20th century made it urgent for European countries as well to have a debate, not only about the priorities and the need for expenditure cuts, but also about the usefulness and justification of benefits, particularly for able-bodied beneficiaries. In a sizeable number of countries, welfare reforms thus started to move toward changes whose main thrust was focused on putting beneficiaries under an obligation to “activate” themselves in return for benefits, instead of defining benefits within the social rights discourse.

Concrete measures for «activating» beneficiaries of social assistance are also very different, ranging from those which are actually more on the side of extended active labour market policy measures such as compulsory re-training and additional training, to engagement in community service projects, to strict work requirements for those receiving assistance. In some countries interventions are predominantly on the labour supply side, being focused on development of skills, work experience and labour flexibility (Denmark, the Netherlands, the UK), while in other countries they also include the component of influencing the demand side (Germany, France). In European countries, programmes are predominantly aimed at youth, although they have subsequently also been extended to other vulnerable groups (Lodemel and Trickey, 2000). Some transition countries, too, have introduced the obligation on the part of social assistance recipients to be engaged in work in the public sector (Romania, Bulgaria). (World Bank, 2006, p. 151).

If the state is directly engaged in employing people, then the difference between programmes for activation of able-bodied beneficiaries and programmes of public works begins to fade out. The difference is that public works 1) use the mechanism of self-targeting since wages (in food or in cash) are so low that they are not attractive to those who are not really poor and 2) the state does not have to spend large amounts of funds, otherwise necessary for a comprehensive social assistance programme. Indeed, these are important reasons for which many less developed countries resort precisely to this type of assistance for the able-bodied poor. In most of the cases, public works programmes involve the construction of infrastructure, and they have often been developed in the context of post-conflict situations and natural disasters.

Box 7.4

South Asia

In a large part of South Asia, public works were initiated in the early 1950s through «food-for-work» programmes. As remuneration for their work, workers received food donated through aid programmes by countries of Western Europe (Subbarao, 2003, p.1). In more recent history, one of the most glaring examples is the public works programme implemented in Korea after the 1997 financial crisis. Faced with high unemployment, Korea introduced a wide-ranging public works programme, aimed at those population strata who were not covered by insurance against unemployment and who, according to very strict criteria, were not eligible for social assistance in cash. For the most part, financing was secured from the national budget (70%). Works included infrastructure projects, provision of social services, environmental protection activities and information technology related tasks, geared to engaging young and educated individuals. The public works project was the most large-scale social assistance programme in the history of Korea. (Kwon, 2002, p.5-7)

At the same time, the limited amount of funds and lack of administrative capacity put constraints on successful designing, planning and implementation of public works. Therefore, it happens that employment on public works is offered at the time of year when the poorest can secure their livelihood by working on seasonal jobs, or the quality of the constructed infrastructure is poor, or wages are not low enough so as to attract only the poorest. And, thus, additional criteria are introduced, which do not yield successful results in targeting... Such deficiencies, of course, create a dilemma of whether the state is capable at all of successfully organizing public works, even in developed countries, let alone those underdeveloped.

In many countries in Africa public works are donor funded while local authorities are responsible for their implementation (Tanzania, Kenya, Botswana). Owing to an insufficient capacity of the public administration, as well as to an inadequate focusing on the programmes as such, the results have not been satisfactory,

188 either in terms of assisting the poor or in terms of the quality of the infrastructure built (Subbarao, 2003).

The experience of Africa, and in particular of the poorest African countries, has shown that a special problem was posed by the absence of donor coordination and the fact that the investment criteria depended more on the availability of donor funds than on actual needs (Subbarao, 2003). On the other hand, programmes have proved to be successful in some countries, particularly middle-income countries, like Chile, Argentina, South Africa (World Bank, 2006, p. 152).

Linkage to Other Objectives

Sixth, in relatively poor countries, social assistance should also be linked to the accomplishment of certain **long-term objectives** of relevance to poverty reduction, such as those in the fields of education and health. In a large number of countries this role has been assumed by conditional cash transfers.

Less developed countries, and in particular the very poor, face at least two major problems in endeavours aimed at introducing certain assistance programmes: (1) selection of the poorest, when there are many vulnerable groups and insufficient financial and administrative capacities, and (2) competition between numerous priorities important for poverty reduction. A solution for some countries, at least partial, can be found in some kind of conditional cash transfers. Nevertheless, not even these programmes are implementable in all countries, and that a particular objective constraint is placed simply by the non-availability of educational and health services in certain isolated areas (World Bank, 2006, p. 153).

Coordination among Different Types of Programmes

The seventh requirement is to **avoid overlapping** of individual social assistance programmes. The fulfilment of this requirement would also contribute to cuts in administrative costs. The main reason, however, for which importance must be attached to this requirement is in the domain of fairness, bearing in mind that social assistance programmes are financed out of budget resources and constitute apparent income redistribution. More specifically,

as a result of lack of coordination among various programmes, the eligible poor could receive assistance from several sources and attain a standard of living that is higher than that of people immediately above poverty line. In most cases, the overlapping is a consequence of the fact that individual assistance programmes fall in the competences of different ministries and government institutions.

Recent experience is not very encouraging. Even in developed countries, there is very little thinking about the overall effects of programmes (Stiglitz, 2004, p. 414). In many European countries, for instance, the beneficiaries of social assistance in cash receive concurrently both child benefits and housing benefits (Adema, 2006, p.15). In the poorest countries, the overlapping is also a result of lack of donor assistance coordination, as well as of insufficient capacity of local administrations.

Conclusion

In all countries, there are a number of people who are poor and who cannot secure even a basic livelihood. And almost all countries implement some kind of social assistance programme. Social assistance, however, does not occupy a significant place in overall government intervention and the share of social assistance is also not high, both in terms of total social protection spending and in terms of the ratio to GDP in individual countries.

In liberal regimes spending is not very high because of the prevailing philosophy that assistance should be provided primarily to those who belong to the category of the deserving poor. In conservative and social democratic regimes, owing to the fact that social assistance is a residual protection instrument, this last option is intended only for those who have “slipped” through all other parts of the social safety net. In the poorest countries, where social assistance programmes are also the primary protection instrument, the role of social assistance is not big due to limited resources, a large number of the poor and a large number of competing public expenditure requirements. According to the recent findings, however, this assistance has a great significance for the beneficiaries, particularly if programmes are well targeted and really aimed at the poor.

190 Social assistance is not a solution to poverty, but rather an instrument to alleviate its consequences. Despite major, easily identifiable differences, this is actually how social assistance is formulated in most of the systems. Still, in recent decades, an increasing number of social assistance schemes have been developed not only to provide relief from poverty, but also a solution to poverty. These schemes involve proactive measures for beneficiaries in the area of employment, education and health, thus contributing to sustainable poverty reduction.

In the last two decades, in developed countries changes in modelling social assistance and the shift of the emphasis toward active policies are in evidence. Instead of passive payments of benefits, an increasing number of countries focus on more active use of funds and activation of beneficiaries, which implies the development of training and retraining programmes, design of policies aimed at increasing labour force mobility and flexibility, inclusion of different incentives for job-seekers, compulsory work for recipients of social assistance and the like. In that sense, it is even possible to talk about a certain convergence of different assistance models.

In transitioning countries, in addition to initiatives for including work incentives to beneficiaries in programmes, emphasis is also on the further reform of programmes in order to increase their efficiency, adequacy and orientation toward the poorest segments of the population. The analyses that were carried out warn that particular caution should be exercised with respect to reforms toward decentralization, which was implemented prematurely in some countries, thus leading to the disintegration of minimum social safety nets.

In the poorest parts of the world, designing adequate assistance programmes is one of the major challenges. The implementation of programmes is inefficient owing to lack of financial, management, technical and logistic capacities. The capacities are particularly inadequate for establishing regular assistance to the population living in remote and isolated rural areas. In almost all countries there are problems with targeting, particularly if the eligibility criteria for entitlements are not easily identifiable and obvious. A significant number of programmes under implementation are not part of the system; they are rather implemented on a project basis.

A special problem is posed by a large number of donors that provide assistance in line with their own agendas, and it is often not based on the actual needs of the aid-recipient countries. Therefore, changes must focus on more efficient donor coordination, the selection of the poorest among the poor and on the effort to turn assistance into some kind of investment in development. 191