

Minimum income support and other social assistance

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Both the ILO Income Security Recommendation, 1944 (No. 67), and the Minimum Standards in Social Security Convention, 1952 (No. 102), foresee that the provision of benefits ensuring protection for various contingencies may be delivered either through contributory earnings-related social insurance schemes or through flat-rate basic benefits. The latter can be universal, categorical or targeted to those of “small means”.

According to Recommendation No. 67, income security schemes should relieve want and prevent destitution by restoring, up to a reasonable level, income which is lost by reason of inability to work (including old age), or to obtain remunerative work or by reason of the death of a breadwinner. The Recommendation also says that income security schemes should be organized so far as possible on the basis of compulsory social insurance, and that only provision for needs not covered by such compulsory insurance should be made by social assistance; certain categories of persons, particularly dependent children and needy invalids, aged persons and widows, should be entitled to allowances “at reasonable rates according to a prescribed scale”. Social assistance appropriate to the needs of the case should be provided also for other persons in want.

Convention No. 102, however, leaves open choice to countries on how to provide benefits in fulfilment of the requirements of the Convention. Benefits within most social security branches can be provided either by earnings-related social insurance, or through universal flat-rate benefits to all residents in a given category, or only through income- or means-tested social assistance to all residents of “small means”.

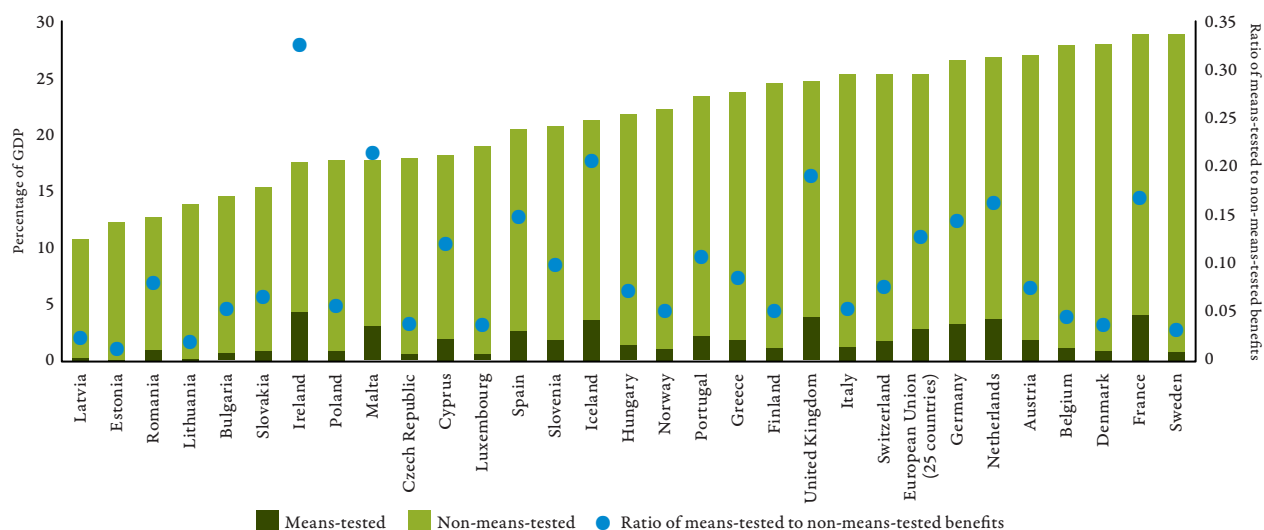
Most of those countries with developed social security systems follow policies according to Recommendation No. 67: a large part of the population is covered by social insurance schemes, while social assistance plays only a residual role, providing income support and other benefits to the minority who for some reason are not covered by mainstream social insurance.¹ In addition, social assistance programmes are aimed at alleviating existing envelopes of poverty and social exclusion.

In the European Union (plus Iceland, Norway and Switzerland), expenditure on means-tested benefits does not exceed 3 per cent of GDP on average, while total social protection expenditure is on average over 25 per cent (see figure 7.1). While there are countries in the European Union (such as Ireland, Malta and the United Kingdom) where a relatively high share of social security benefits is delivered through targeted social assistance, nowhere does total social assistance benefit expenditure exceed 5 per cent of GDP.

Patterns of social assistance in terms of what contingencies are covered differ considerably among European countries (see figure 7.2). On average, the majority of means-tested benefits goes to the elderly, persons with disabilities and survivors (more than one-third, 1.1 per cent of GDP). Second come housing benefits (0.6 per cent of GDP); third, family benefits (0.5 per cent of GDP); fourth and fifth, income support to the unemployed (0.3 per cent of GDP) and social assistance to socially excluded groups (0.3 per cent of GDP).

¹ Australia and New Zealand are the most prominent exceptions among OECD members; in these countries income-tested benefits play a dominant role in the provision of social security.

Figure 7.1 Means-tested and non-means-tested benefit expenditure, European countries, 2007 (percentage of GDP and ratio)



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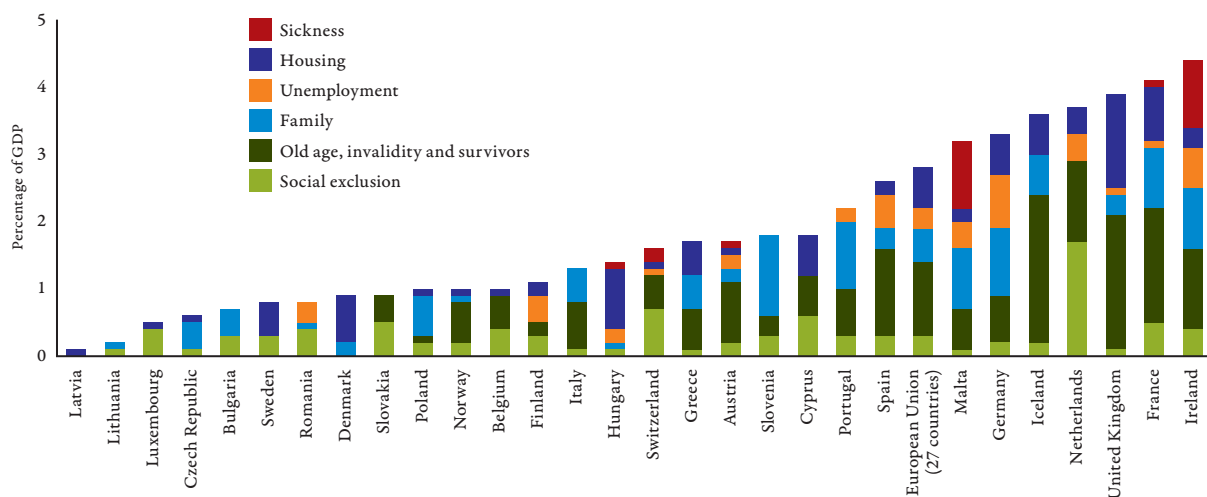
Source: ESSPROS (European Commission, 2009a). See also ILO, GESS (ILO, 2009d).

While in most of the developed countries (except Australia and New Zealand) social assistance-type schemes play an important although residual role in closing relatively small coverage gaps, in many middle- and low-income countries non-contributory income transfer schemes have been recently gaining importance. Particularly in countries with large informal economies and where only a minority are covered by social insurance schemes, non-contributory social security provides an

opportunity not only to alleviate poverty but also – at least in some cases – to fill a large part of the sizeable existing coverage gaps shown in previous chapters.

There are practically no systematically collected data which would indicate not only expenditure on such schemes, but also numbers of beneficiaries and effective coverage in terms of percentages of target groups reached. However, there exists a social assistance database containing structured descriptive and

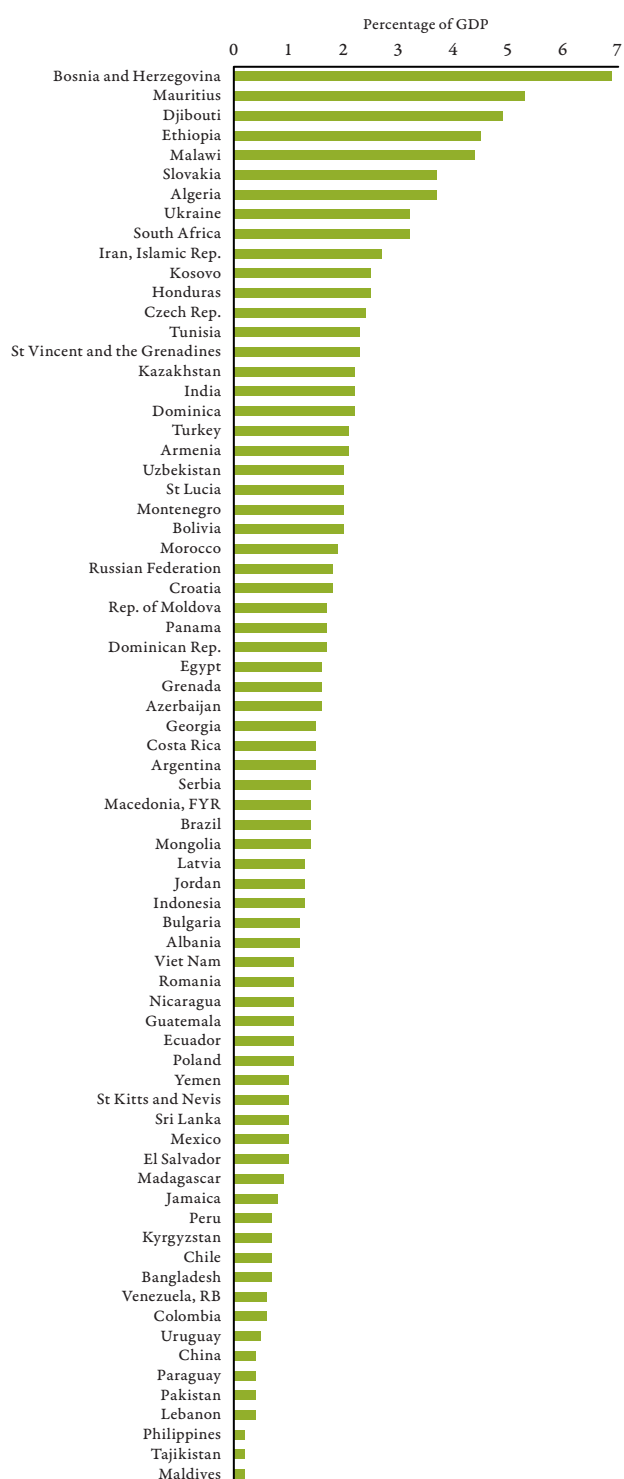
Figure 7.2 Means-tested benefits in European countries: Totals and by function, 2007 (percentage of GDP)



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Source: ESSPROS (European Commission, 2009a). See also ILO, GESS (ILO, 2009d).

Figure 7.3 Social assistance expenditure, 75 countries, 2008 (percentage of GDP)



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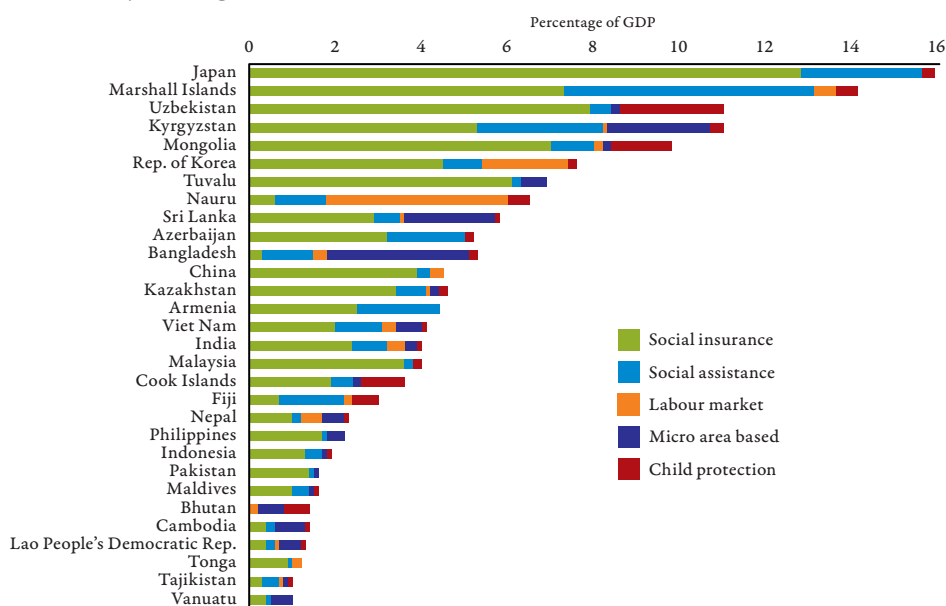
Source: World Bank, 2008. Data on 75 countries taken from World Bank public expenditure reviews and other similar work. See also ILO, GESS (ILO, 2009d).

mainly qualitative information on such schemes in developing countries (Barrientos, Holmes and Scott, 2008). This database includes some information on numbers of beneficiaries and total costs, but the data are not necessarily comparable across schemes and countries. There is also a data set compiled by the World Bank (World Bank, 2008) which includes certain quantitative information on “safety net” spending. This contains an inventory of social protection schemes in different countries, outlines legal coverage of main social insurance and social assistance schemes and provides estimates of annual expenditure on overall social protection, social insurance and social assistance. Based on broader estimates of spending on “social safety nets” and social protection from 75 countries studied in World Bank reports that have attempted to compile comprehensive country-specific numbers on the subject, this compilation suffers from two main problems: incomplete coverage and problems of comparability. The overall estimates in the database are not comparable with most of the estimates used in the present report (which come from ILO, OECD, EU, IMF and WHO sources); figure 7.3 shows the results for social assistance expenditure.

The Asian Development Bank provides information on expenditure by type of scheme and coverage by these schemes, measured proportionately between beneficiaries and target groups (ADB, 2008). The ADB distinguishes five categories of programmes: social insurance, social assistance, labour market programmes, child protection and micro-area-based programmes. Figure 7.4 shows the shares of these different types of programme in total social protection expenditure as defined by the Bank; it can be seen that only in a few countries do social assistance programmes play a substantial role.

The ADB report also provides coverage rates for these different types of programme, but for many countries these are based on assumptions and estimates and not on hard data from either administrative sources or household surveys. Data on a social protection programme can be made available internationally only if such data are generated at the national level. Much effort is required in the various countries to improve national databases on social security beneficiaries in general and social assistance recipients in particular. There remains also much to be done by the international community to improve and standardize the methodology used to measure coverage by social assistance, as well as to create stronger data foundations for such measurements.

Figure 7.4 Social protection expenditure by type (ADB definitions), selected countries, 2008 (percentage of GDP)



Link: <http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15170>

Source: ADB, 2008. See also ILO, GESS (ILO, 2009d).

A new generation of social assistance schemes, often called “cash transfer schemes”, has emerged over the last two decades.² Minimum income support or other social assistance schemes aim at preventing poverty through providing a minimum benefit to individuals or families that are in need. Various characteristics distinguish such schemes:

- They may or may not be means-tested.
- They may be paid for a limited or an unlimited period.
- They may be conditional or unconditional.

One example of the growing number of such income transfer schemes is the Benazir Income Support scheme in Pakistan. Created in 2008, this scheme currently provides 1,000 rupees (Rs) per month (about US\$12) to poor families, which comprise about 10 per cent of the population. The support is conditional on the monthly income of the family being less than 6,000 Rs (about US\$75) and the family owning less than three acres of land or a house of not more than 80 square yards. The cash is paid to female household members only. The programme was allocated 34 billion Rs in 2008–09. It is the third largest allocation

in the Pakistani budget and constitutes 0.3 per cent of GDP.

An overview of many such schemes, together with an analysis of their impacts, is given in *Extending social security to all: A guide through challenges and options* (ILO, 2010a). There is also a growing body of literature, to which references can be found in the above report. The overview shows that more than 30 developing countries have already implemented a range of programmes that broadly correspond with the logic underpinning the basic set of guarantees. In general, it is clear that the middle-income countries are more advanced in this field, where an increasing number of large-scale programmes have emerged during the last decade.

The flagship programmes are the Oportunidades schemes in Mexico and the Bolsa Família scheme in Brazil. Both are conditional cash transfer schemes. Bolsa Família, roughly translated as “family grant”, is the largest conditional cash transfer programme in the world. It reaches around 11.3 million families – 46 million people, corresponding to a quarter of Brazil’s population – at a cost of US\$3.9 billion (0.4 per cent of the GDP).³ Similar programmes were implemented in 16 Latin American countries, covering

² This section is based on information in ILO, 2010a.

³ UN exchange rate for January 2009: US\$ = R\$2.3.

around 70 million people or 12 per cent of the population in the region.

A further innovation is the combination of social transfers and employment guarantees. The most prominent scheme is the Indian National Rural Employment Guarantee Scheme (NREGS), established in 2005. Under NREGS, a rural household is entitled to demand up to 100 days of employment per year, made available on agreed schemes of public works. The programme undertakes projects facilitating land and water resource management, together with infrastructure development projects such as road construction. The wages paid are equal to the prevailing (and officially declared) minimum wage for agricultural labourers in the area. If work is not provided within the stipulated time,

the applicant is entitled to receive an unemployment allowance. The programme is designed in a manner which is effectively self-targeting, since the wage specification is such that while the poor will choose to enter the programme, the non-poor will abstain from participation. The allocation for the programme from the national budget for the financial year 2006–07 was 0.3 per cent of GDP. Official cost estimates of the scheme, once fully operational, suggest that the budget could peak at 1.5 per cent of GDP. The programme is regarded as one of the largest rights-based social protection initiatives in the world, reaching around 40 million households living below the poverty line. Owing to its relative newness, few large-scale evaluations have yet been published.