

Department of Social Security
Research Report No. 47

Social Assistance in OECD Countries

Volume II: Country Reports

A study carried out on behalf of the Department of Social Security and the
OECD by the Social Policy Research Unit

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London: HMSO

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First published 1996

ISBN 0 11 762408 X

ISSN 0 961.569 5

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Preface

This study was initially commissioned in October 1993 by the UK Department of Social Security, to inform its understanding of social assistance schemes in the member states of the European Union and a number of other relevant countries. The original proposal was to include in the study the then 12 member countries of the European Union, plus Norway and Sweden as likely future members, together with the English-speaking group of developed countries consisting of the USA, Canada, Australia and New Zealand. In the course of initial information gathering, contact was made with the Social Policy Division of the Organisation for Economic Co-operation and Development (OECD). They expressed interest in the research being extended to the six member countries not already covered by the study. After consultations between the two sponsoring bodies, and with the six member governments, a further contract was agreed. Shortly after the research was commissioned it was discovered that Professor Ian Gough, then of the University of Manchester, had received a social science fellowship from the Nuffield Foundation to pursue a similar study, on a smaller scale but including some of the non-EU countries. Once the OECD participation was confirmed, it was agreed that it would be mutually beneficial for the two projects to co-operate.

The results of the research are presented in two volumes. The first discusses the policy context for carrying out comparative research on social assistance and provides a synthesis of comparative and analytical material organised by themes. This companion volume presents separate country-by-country descriptions of assistance schemes and their place within social security more widely, with trend data on claimant numbers and expenditure and brief discussions of policy issues current in each country.

The methods used in this study are set out in detail in Volume One, and more briefly in Chapter One of this volume. The research has been a joint effort and we are jointly responsible for it. In terms of the division of labour, John Ditch was responsible for directing the research and in this volume took particular responsibility for France, Ireland, Spain and Portugal. Tony Eardley had overall editorial responsibility and dealt with Belgium, Germany, Luxembourg, the Netherlands and the United Kingdom; Jonathan Bradshaw was responsible for Denmark, Finland, Iceland, Norway and Sweden; Ian Gough was responsible for Japan, Italy, Switzerland, Turkey and the United States; Peter Whiteford was responsible for Australia, Canada, Greece and New Zealand.

We have attempted to reflect the varying range of opinion on the workings of social assistance schemes in the different countries, but in the end any views expressed remain the responsibility of the authors. They are not necessarily those of the participating governments, nor those of either the UK Department of Social Security or the OECD.

University of York
August 1995

Acknowledgements

We are grateful to the Department of Social Security and the OECD for funding this research, and to the Nuffield Foundation, who supported Ian Gough's participation in the study.

This study is the result of collaborative effort going well beyond the research team itself and is primarily based on information provided by two networks of national informants working in their own countries. The government officials listed below either completed questionnaires themselves or acted as co-ordinators of information collected from different sections of their respective administrations. They undertook this task with energy and enthusiasm, for which we are most grateful.

The academic experts, and their colleagues, provided information, commentary and access to a wealth of research studies on social assistance in their own countries. They also commented on our drafts and engaged with us in a continuous process of dialogue to improve and refine our understanding of national systems and policies. It has been an immensely valuable process and while the responsibility for any errors or misinterpretations remains with the authors, the study would not have been possible without the knowledge, enthusiasm and hard work that the national informants contributed, for only modest rewards.

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In addition to these, Peter Whiteford acted as the informant for Australia, John Ditch for Ireland and Tony Eardley for the UK.

The study has benefited from the suggestions and comments of policy makers in the Department of Social Security, including Owen Thorpe and Bruce Reveley; of Peter Scherer, Patrick Hennessy and Mark Pearson at the OECD; and of Roland Sigg from the International Social Security Association (ISSA).

We are also grateful for comments and suggestions from our liaison officers at the Department of Social Security, Julia Chilvers and Daniel Murphy, as well as for their support and encouragement.

Finally, the study would have been immeasurably more difficult without the input of a number of other people. Maureen Astin entered the *model* family matrix data on to the database and undertook initial analyses. Fran Bennett contributed

substantially to the UK chapter. Helen Barnes, Joanna Coles, Sarah Dewson and Nina Oldfield helped with drafting or revising several chapters. Michaela Schunk, from the University of Manchester, provided extra data on Germany. Carol Chaundy drew up a glossary and database of benefit names and descriptions, and along with Torn Stimson provided essential research assistance.

Sally Pulleyn, with help from Teresa Anderson and Helen Jacobs, undertook the job of typing and formatting a huge and complex text with her usual skill and grace under pressure.

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Chapter 1 Introduction

1.1 Background

This study examines how different countries provide a 'safety net' for people without sufficient incomes from other sources. The aim is to present a comparative analysis of means-tested benefits within the social security systems of the different countries; their legal and administrative structures and rules of eligibility; trends in expenditures and claimant numbers; policy debates and developments; and the relative value of benefits.

This second volume presents separate country-by-country descriptions of social assistance schemes and their place within social security more widely, with trend data on benefit expenditure and claimant numbers, and brief discussions of policy issues current in each country.

For a discussion of the policy context for studying social assistance and a review of methodological issues in comparative research, readers are referred to the introduction to Volume One. There we also discuss questions of terminology, including concepts such as 'means testing' and 'income testing'.

1.2 Methods

The methods used were determined largely by the research aims, which focused on a comparison of the institutional forms of social assistance as a sub-system of social security. There are a number of difficulties with this approach. The first comes in defining what we mean by social assistance - it is not a term with an exact international meaning, especially in translation. Taking branches of social security or benefits simply by their names may be misleading, which suggests the need to look beyond systems and more at the functions of different benefits. Therefore, although we frequently refer to social assistance, the main subject of enquiry is more accurately the range of benefits and services available to guarantee a minimum (however defined) level of subsistence to people in need. Even this definition is not without problems, as Chapter Two of Volume One discusses.

A comparative analysis of systems needs to be based on the selection of characteristics which are considered relevant to all the different countries. Yet there is not always a consensus on what features are important -- especially since the salience of social assistance within social security as a whole varies considerably between countries. Since this project was originally commissioned by the UK Department of Social Security, there is naturally an interest in how other countries deal with issues and problems encountered in the UK system. It is recognised, however, that there are other perspectives, and these are highlighted where appropriate in the country chapters.

Given the limited time and resources available for this study, which precluded both new empirical research within the countries and extended study visits by the researchers, the decision was to use networks of national expert informants. They would have access to up-to-date information and recent research studies and would be able to comment with authority on policy trends and debates in their countries. Because the study required both detailed descriptive material on the formal structure of social assistance schemes and commentary on their practical effectiveness, it was agreed to use two networks of informants - one consisting of

senior officials in the relevant ministries and the other of experts recruited from universities or independent research institutes.

The first group was asked to complete a pro forma questionnaire covering structural and legal details of their minimum income schemes, together with statements of official policy, statistical data on expenditure and claimant numbers, and summaries of recent or forthcoming changes. The independent experts were asked to provide a commentary, informed by research and debate in their countries, on key policy topics in social assistance. They also completed a 'model family income matrix' to allow comparison of the value of assistance benefits, both between countries and within countries *in* relation to social insurance benefits and average earnings. The model family methodology is discussed *in* more detail in Chapter Six of Volume One.

The independent experts provided edited bibliographies and copies or summaries of key research studies. In some cases they also helped to fill gaps in the information provided by officials. In July 1994, most attended a two-day colloquium held in York, to which the bodies commissioning the research were also invited, where the research team's initial analyses were modified or supplemented, items of the matrix methodology were clarified and policy issues were discussed in a comparative exchange of views and expertise. Finally, the information obtained from the two networks was put in context by reviewing national and comparative literature on social assistance, poverty and income distribution.

As far as possible, description of the different countries' systems was up to date in mid-1994. Policy and regulations in social security are of course not static: while this volume primarily represents a 'snapshot' of provision at one time, wherever possible there is discussion of both the development and trajectory of recent policy changes and of reforms or amendments which are planned for the future.

One feature of the description of the different countries' systems requires some comment. This is the use of 'purchasing power parities' to give an indication of the relative value of benefits and levels of expenditure. Purchasing power parities (PPPs) are a method of comparing the actual value of a currency in terms of its purchasing power. PPPs convert *national* currency amounts into a common monetary denominator, which in this study has been expressed both in EN; and £ sterling. PPPs are generally more satisfactory than exchange rates in that they take account of differences in the price of a common basket of goods and services in each country. The PPPs used here have been developed by the OECD (*Main Economic Indicators*, 1992 and 1993). They do have their limitations, however. It is arguable, for instance, that their primary utility is in application to aggregate national data, rather than at a micro level, as applied to benefit rates or individual household income and expenditure. There *are* also difficulties in the construction of PPPs themselves and they are not always regarded as fully accurate. The relationship between exchange rates and PPPs tends to vary between countries - for the majority of OECD countries the PPP is higher than the exchange rate. PPPs are discussed in more detail in Volume One, with a table comparing them with exchange rates. In spite of their limitations, it is believed that they are the most useful way of comparing monetary values across the countries in this study, but they should be taken as indicators of relative benefit levels rather than as exact measures.

1.3 The structure of the country chapters

The chapters are organised alphabetically (in English) by country, retaining as far as possible the same structure throughout. They begin with summaries of demographic, economic and employment data which are relevant for an understanding of social protection. These are followed by brief outlines of the nature and structure of the social security systems as a whole, concentrating on those features, such as unemployment compensation, which are most likely to impact on assistance schemes. The third section of each chapter then describes the

social assistance schemes, including brief histories, policy aims, the legal and administrative structures, rules of eligibility and entitlement, means tests, work tests and incentives, and the structure of benefit rates. Further sub-sections look at the links with other means-tested benefits which might not be regarded as social assistance, help with housing costs and provision of other 'passport' benefits or services. The next main section discusses trends in expenditure on social assistance and in claimant numbers. It has not always been possible to obtain fully comparable data of this kind, but as far as possible the key trends are presented as time series since the beginning of the 1980s. Following this is a discussion of current policy debates relevant to social assistance. Each chapter then ends with a summary of recent and forthcoming changes in policy or practice and a brief assessment of how well different systems perform.

The nature of the benefit systems in certain countries has required a slightly different approach, so that there are some sections which apply only to specific countries. There are also gaps in information and varying levels of detail. There is a genuine problem with availability of data in some countries, so that certain kinds of information cannot be obtained without disproportionate effort *or* fresh empirical research, especially where assistance schemes are organised regionally or locally and where decision making is predominantly discretionary.

The following chapters provide detailed descriptions, within the limitations mentioned above, for the 24 countries which were members of the OECD when the research was commissioned*.

* Mexico joined later but was not included in the study_

Chapter 2 Australia

2.1 Background

Demography

Australia has a relatively young age structure. In 1990, 22 per cent of the population (of around 17 million) were less than 15 years of age, and 11 per cent were 65 years or over. In common with most other developed countries the Australian population is ageing, however, and the proportion of the population aged 65 years and over is projected to exceed 20 per cent by 2031.

While total fertility has declined significantly over the past 20 years, it is higher than in most European countries. The birth rate in 1989 was 15.4 per 1,000 population and the total period fertility rate in 1986 was 1.93, compared with an estimated EU average of 1.44 in 1993 and a 1992 OECD average of 1.7. In 1980 around 13 per cent of Australian families with children were lone parents compared to 11.5 per cent of British families. Lone parenthood has not increased as fast in Australia, however, so that in 1989 around 15 per cent of Australian families were lone parents compared to 17 per cent in Britain. The divorce rate is about 85 per cent of that in Britain, and the rate of births outside marriage is about 80 per cent of the British level.

Australia has had relatively high levels of immigration for many years, with net migration accounting for about 40 per cent of post-war population growth, rising to around half in the late 1980s. At the time of the 1986 Census, 22 per cent of the population were born overseas and 42 per cent had at least one parent born overseas. The largest source of immigrants is the United Kingdom and the Republic of Ireland, followed by Italy, Greece and the former Yugoslavia. In recent years there has been increasing migration from Asian countries, particularly Vietnam, Malaysia, China and Hong Kong. There is also a sizeable population of New Zealand residents, as there is unrestricted entry between the two countries. Australia has a small population of Aborigines and Torres Strait Islanders (about 1.5 per cent of the population) who are socially and economically disadvantaged compared to the general population.

Employment and the economy

Australia has long been a prosperous country, with statistics suggesting that it had one of the highest levels of national income per head in the world in the 1870s and 1880s. However, this largely reflected the very small size of the population and the substantial mineral wealth discovered from the 1850s onwards. Australian national income per capita is currently about the same as in the UK. The foundation of this wealth is still the substantial agricultural and mineral resources of the country, which tends to make the economy vulnerable to shifts in commodity prices as well as to drought.

For much of the 20th century, successive Australian governments followed a strategy of protectionism, *under* which imported goods were subject to substantial tariffs. While immigration was encouraged, there was a 'white Australia' policy to exclude Asian immigrants up until the 1960s. Australia has also been described as a 'workers' welfare state', with centralised wage-fixing arrangements and statutory minimum wages in place from the beginning of the century. It can be calculated that in 1980 the average manufacturing wage in Australia was more than 25 per

cent higher than the average in the UK (using purchasing power parities), despite the similar levels of national income per head. Until the early 1970s, unemployment was also well below the OECD average.

Many of these favourable economic circumstances began to change in the 1970s. 'Stagflation' marked the second half of the decade, with unemployment rising and an inflation rate higher than in most of Australia's trading partners. The 1980s saw sustained economic reforms. The starting point for analysis of the relationship between social and economic policies since 1983 must be the Prices and Incomes Accord between the Australian Labor Party (ALP) and the Australian Council of Trade Unions (ACTU). Australia has a high, although declining, level of trade unionism and most workers, even those outside the union movement, are covered by industrial awards as part of the wage-fixing and arbitration system. Between the mid-1960s and the early 1970s there was a shift towards a decentralised system, followed by a centralised structure with partial wage indexation between 1974 and 1982. There was then a return to a decentralised system, accompanied by accelerating wage increases, despite restrictive monetary and fiscal policy. Unemployment rose rapidly and the conservative government imposed a wage freeze. Just before the 1983 election, the ALP and the ACTU reached their Accord, under which the ACTU agreed to moderate wage demands in return for improvements in the social wage.

Since 1983 the Accord has been subject to renegotiation in response to changing economic priorities. Nevertheless, it has survived for over ten years and is a fundamental component of government policies. Significant social reforms have been introduced within this framework, including the reintroduction of national health insurance, taxation reform, increased child-care funding, improved family assistance and extension of rights to occupational superannuation.

Social policy over this period has also been significantly affected by economic factors. Within its first year of being in office, the government abolished exchange controls. This meant that the value of the currency was affected by market views about government fiscal policy, and vice versa. There was a severe deterioration in Australia's trade position due to the fall in world commodity prices in the mid-1980s, with the terms of trade falling by 14 per cent between 1983 and 1986 (Sieper and Wells, 1991). These factors were associated with tight fiscal policies. But as part of the Accord the government was committed to tax cuts to offset the impact of falling real wages. In the 1984 federal election, the Prime Minister promised there would be no increase in tax revenue or government expenditure as a proportion of GDP over the next Parliament. He also promised that the nominal budget deficit would be cut in 1985-86, and as a proportion of GDP over the next Parliament. In fact, the budget deficit fell from four *per* cent of GDP in 1983/84 to a surplus of two per cent of GDP in 1989-90 (Sieper and Wells, 1991). Within this context, there were severe restrictions on public spending, including social welfare spending^g, achieved through a rigorous review of existing programmes and new spending proposals, co-ordinated through the Expenditure Review Committee, a sub-committee of senior Cabinet Ministers.

The most controversial aspect of this policy framework relates to trends in living standards. The Accord promised maintenance of living standards, but there has been a substantial decline in real average earnings. The decline for all persons has been about eight percentage points, in part reflecting the increasing prevalence of part-time work, but also due to less than full indexation of award wages (Australian Bureau of Statistics, various years). For full-time working adults, the overall decline has been around six percentage points and average real full-time earnings were about the same in 1990 as they had been in 1981. Critics and political opponents of the Government used these figures to argue that living standards had fallen. In responding, the Government argued that wage restraint contributed to employment growth.

Nearly 1.5 million people gained employment between 1983 and 1989. This rate of employment growth (19 per cent) was the fastest of all OECD countries (OECD, 1994e). Despite a substantial increase in unemployment since 1990, the employed labour force is still 25 per cent larger than in 1980. This compares to a fall of two per cent for the corresponding period in the UK. Nearly two-thirds of the new jobs were full-time, with male full-time employment accounting for 37 per cent of total job growth. Increased male part-time employment was around seven per cent of the total growth, with the balance being split roughly evenly between full- and part-time employment for women (Australian Bureau of Statistics, 1983, 1989).

While these increases in employment were impressive, the reduction in unemployment was less substantial, due to increasing labour force participation and a growing population of working age, which expanded by around 1.3 million between 1982-83 and 1989-90. Even so, the employed labour force grew by six per cent more than the population, still among the fastest rates of all OECD countries.

The causes of this labour force growth are contested. Influences include demographic trends associated with Australia's high level of population growth, cyclical effects arising from the recovery after 1983, and the increase in female participation, a trend already experienced in other countries. The main institutional factor has been the Prices and Incomes Accord. In a survey of econometric models, Chapman *et al.* (1991) estimated that the Accord reduced Australian wage inflation by three percentage points per year between 1983 and 1989, and real wages by ten per cent over this period. They concluded that the Accord was associated with between 300,000 and 500,000 jobs in addition to those that would have been created if there had been no change to institutional arrangements.

Other Australian institutions are also distinctive. Australia is a low tax country, with total taxes accounting for 30.8 per cent of GDP in 1988, compared to an average of 40.8 per cent for the European Community. Personal income taxes account for 46 per cent of total revenue, compared to an average for the EC of around 27 per cent, but there are no social security contributions levied on employees or employers. There is a small levy (1.25 per cent of taxable income in 1994 and 1.4 per cent from 1995) to contribute to the national health insurance system, Medicare. From information collected as part of a study of support for families with children (Bradshaw *et al.*, 1993), it can be calculated that Australia has a more progressive structure of direct taxes than either any country of the European Union, or Norway, Sweden, Japan and the United States, if employer social security contributions are assumed to be incident on wages.

Another feature of the Australian system is that there is no broad-based consumption tax, like VAT, although there is a wholesale sales tax that is equivalent to a VAT on all goods and services of about seven per cent. Taxes on specific goods such as petrol, tobacco and alcohol are relatively high, however. As a corollary to these low tax levels, public expenditure levels are comparatively low. Total social spending was around 18 per cent of GDP in 1985, compared to an average of 26 per cent in the European Community (excluding Luxembourg). In addition, spending on social security transfers (defined for comparative purposes as the OECD definition of 'social protection', minus public health expenditure) has been relatively low, at just under eight per cent of GDP in 1990, compared to an average of 16.5 per cent in the member countries of the European Union and 15.1 per cent in the OECD countries outside the EU (OECD, 1994d, Tables 1b and 1c).

Private provision in various forms is important. Occupational pensions accounted for about 20 per cent of total pension expenditure in Australia in 1980, a level about twice as high as in the United Kingdom, which had the highest occupational pension share of any EU country. Private or quasi-private arrangements are also important in other areas of Australian social policy^o, notably in relation to benefits for short-term sickness and workers' compensation, which are primarily provided under industrial awards, covering most of the workforce. Public provision for housing is very low in Australia – only around five per cent of families are renting

from the government, with nearly 20 per cent renting privately. A further 40 per cent own their homes outright, and just over 25 per cent are purchasers.

Public health care in Australia is available on a universal basis, but the private sector is more important than in any other OECD country apart from the United States. Services in public hospitals are free of charge, but there is a fairly extensive system of private hospitals - about 40 per cent of all in-patient beds. There are fees for consultations with general practitioners of about AS25 per visit (about £12), but 85 per cent of this scheduled fee is reimbursed by the government health insurance agency, Medicare. Doctors however can charge above this level, or they can choose to claim fees from the government on a collective basis (or 'bulk bill'), in which case there are no up-front charges. GPs are private practitioners, and patients can move between them as they wish. Social security recipients with limited additional resources are entitled to a variety of health concession cards, which increase the likelihood that doctors will bulk bill from the government rather than charging individuals for treatment. Overall, in 1991, 70 per cent of all medical care billing was paid by a public fund, compared to 93 per cent in the UK and 61 per cent in the USA (the lowest level of all OECD countries) (OECD, 1993o, p.271). While private provisions are prevalent, the public system is generally regarded as being of high quality.

In part, the low level of social spending in Australia reflects some favourable factors. As stated earlier, Australia has a lower proportion of its population over 65 years of age than most other OECD countries. Until 1977, standardised unemployment rates in Australia were below the OECD average, but they were above average between 1977 and 1980, and again between 1983 and 1988 and since 1990 (OECD, 1992). In 1993 unemployment stood at around 10.8 per cent, just above the EU average but substantially higher than the OECD average of 7.8 per cent (OECD, 1994a). Nearly all benefits are means-tested and there is probably less likelihood of people receiving benefits but then paying taxes for 'churning') than in other countries, since pensioners and beneficiaries with no income apart from these transfers are not liable for any income tax and broad-based consumption taxes are at a relatively low level.

The political framework

Australia is a Federation of six states and two territories, formed in 1901. Along with New Zealand, Australia was seen as an early welfare state pioneer, as well as a leader in extension of political rights. Australia had the first Labor government in the world in Queensland in the late 19th century, and female suffrage was first introduced in South Australia, again in the late 19th century.

Australia currently has four major political parties - the Australian Labor party (ALP) and the conservative coalition of the Liberal party and the National (Country) party, as well as the Australian Democrats, who originally split from the Liberal party, but are now in some respects more 'left wing' than Labor. Australia has an elected Upper House, the Senate, whose members are elected on the basis of proportional representation within states. The Senate has much greater constitutional powers than the House of Lords. Apart from a brief period under the conservatives after 1975, no Australian government has had a majority in the Senate in the last 25 years. In addition, the states have powers under the Constitution that are difficult to alter, and no political party has had complete control of all states and the federal government in the last 50 years. Australia also has compulsory voting and very high voter turnout; voting is also preferential rather than first-past-the-post, which means that political parties must successfully appeal to the centre ground. Independents and small political parties are unlikely to be elected to the House of Representatives, but have been more successful in the Senate. There is a very short electoral cycle. The federal term is a maximum of just over three years, but governments can call elections (or have them forced on them) more frequently. The election in 1993 was the tenth since 1972.

For most of the post-war period (1949 to 1972), Australia was governed by the conservative coalition. The Labor party was elected in 1972 and re-elected in 1974, but the government was dismissed by the Governor-General in 1975 after the conservatives delayed the Budget bills in the Senate. The conservatives were in office between 1975 and 1983, but the Labor party has won the five elections since then.

2.2 The social security system

Introduction

The Australian social security system differs markedly from that in many other developed countries - apart from New Zealand - in that it has no social insurance features. Benefits are paid out of general taxation revenue and are flat-rate, but graduated according to incomes and assets. It could therefore be considered that Australia's social security system is almost totally social assistance based¹. However, as will be shown below, it would be a mistake to consider that Australian arrangements are similar to the social assistance schemes common in many other countries. They are mainstream rather than residual payments. For example, benefits for older people, veterans, carers, those with disabilities, and lone parents are more similar to an extended form of the UK's Family Credit scheme than they are to Income Support (IS).

Table 2.1 provides a summary of the main social security programmes in Australia in the early 1990s. Changes since then are referred to in the text and summarised in section 2.8. Broadly speaking, social security benefits in Australia are of three main types. 'Tensions' for the aged, veterans, invalids, lone parents and carers are subject to relatively generous means-tests. 'Benefits' for the unemployed, the sick, and those who fall outside any other category are paid under conditions similar to but somewhat less restrictive than income support in the United Kingdom. There is also a wide range of supplementary allowances, including payments to families with children.

While Australia is a federation of eight states and *territories*, responsibility for social security lies with the Federal (or Commonwealth) government, and benefits have uniform rates and eligibility conditions across the country'. Most payments are the responsibility of the Department of Social Security. But in addition, the Department of Veterans' Affairs make payments to eligible war veterans who served in the armed forces. The basic veterans' pension is paid at the same rates and conditions as the age pension, although it is payable to men from 60 years and women from 55 years. There are also more generous, non-means-tested payments to eligible persons suffering from a war-related disability and the widows of servicemen whose death was related to their service. Around 15 per cent of the population over 65 years of age are receiving service pensions rather than age pensions. There also exists a Domiciliary Care Nursing Benefit (DCNB), administered by the Department of Human Services and Health. DCNB is a flat rate payment made to home-based carers of people with disabilities who would otherwise need to be cared for in a nursing home, at least partly at public expense. The Department of Education also makes a range of income-related payments to secondary school and tertiary students.

¹ The only major non-means-tested payments are pensions for the blind, and pensions for those suffering from disability as a result of war service, or the widows of those who died as a result of war service. There are also some supplementary payments which *are* not means-tested -- Mobility Allowance, Double Orphan Pension and Child Disability Allowance, a payment for families with a child with a disability who requires substantially more *care* than a child of the same age would without a disability.

² There is a small supplementary payment for pensioners and beneficiaries living in remote areas - most of the northern half of Australia.

Table 2.1: The Australian social security system in the early 1990s

| Programme | Forecast expenditure in 1992-93 AS million | Composition % | Number of recipients in [1991 (0(1Ds) | Composition % |
|--|---|------------------|--|------------------|
| Age pensions and allowances | 10,568.8 | 31.3 | 1,407.0 | 38.0 |
| Disability pensions and allowances | 1,439.4 | 4.3 | 341.9' | 9.2 |
| Service Pensions | 2,389.1 | 7.1 | 375.0' | 10.1 |
| Service Disability Pensions and Allowances | 3,913.5 | 11.6 | 433.7 | 11.7 |
| Basic Family Payments | 2,094.1 | 6.2 | 3,669.4 | |
| Additional Family Payments | 2,073.7 | 6.1 | 487. ⁴ | |
| Sole Parent Pensions and allowances | ? 514.0 | 8.3 | 265.7 | 7.2 |
| Other child payments | 123.5 | 0.4 | 47.5 | - |
| Newstart Allowance | 3,242.8 | 9.6 | 703.4 | 19.0 |
| Job Search Allowance' | 3,731.6 | 11.0 | | |
| Sickness Benefit: Allowance | 566.3 | 1.7 | 71.4' | 1.9 |
| Special Benefit | 314.7 | 0.9 | 29.8 | 0.8 |
| Other assistance to widows | 532.3 | 1.6 | 74.4 | 2.0 |
| Total | 33,603.8 | 100.0 | 3,702.3 ² | 100.0 |

The number of recipients of disability pensions and allowances is at June 1992, and the number of recipients of service pensions is an estimate

² The total number of recipients does not include recipients of child-related payments (items 5, 6, 8). because they are conceptually different from basic social security payments. Also, some recipients of additional family payments also receive sole parent pensions

Payments for persons aged under 18 have changed with the introduction of Youth Training Allowance from 1.1.95

Sickness allowance figures are calculated as an averaged figure of person years on benefit. The actual number of persons going on and off benefit is much higher

Note: Purchasing power parities for 1992: AS 1- USSO.75 and £0.47

Sources: Australian Government. Budget Statements, 1992-93; Australian Department of Social Security, Annual Report, 1990-91

The most important of the supplementary programmes is the Family Allowance (now the Basic Family Payment), which was introduced in 1976 to replace a previous cash payment to families with children and child tax allowances. Family allowances are non-taxable, but became subject to an income test in 1987. This income test does not start to affect families until joint incomes are around twice average earnings, so that roughly 85 per cent of families with children continue to receive this assistance. In contrast to the UK where child benefit is deducted from income support, family allowances are paid in addition to the means-tested payments to low-income families.

Additional payments are made to low-income families with children through the Family Allowance Supplement (FAS) scheme (now the Additional Family Payment), which was introduced in 1987 to replace the previous Family Income Supplement (introduced in 1983). The FAS provided higher levels of means-tested, non-taxable assistance to low-income working families with children, although pensioners and beneficiaries with children received the same level of child-related assistance through additions to their basic payments. Since January 1993 pensioners and beneficiaries have received Additional Family Payment (AFP) in the same way as low-income families. The income test for AFP starts to *cut in* at family incomes of around 65 per cent of average male earnings, but the exemption level increases with the number of children and the withdrawal rate is 50 per cent. This means that families with three or more children may continue to receive some assistance when their incomes exceed average male earnings. Just over ten per cent of all children are in families receiving additional family payments, and a further 15 to 20 per cent are in pensioner or beneficiary families receiving similar levels of assistance.

Finally, there are smaller, non-means-tested programmes that offer assistance to families with children who have disabilities, to carers of orphans and in respect of multiple births. There are also child-related supplements in assistance provided to low-income families renting in the private sector. There are no tax allowances for children *per se*, but lone parents receive an extra tax credit, and single-earner

couples with children receive a higher tax credit than do similar couples without children. Assistance to families with a dependent spouse and children was extended in September 1994 with the replacement of a tax rebate by the Home Child Care Allowance (HCCA) - a cash payment made directly to the carer. HCCA is income-tested, but on the income of the recipient only, not of the whole family.

The historical development of social security

'Old age' pensions were introduced by the then colonies of Victoria and New South Wales in 1901, and by Queensland in 1908. These were superseded by a national scheme in 1909 and benefits were extended to invalids the following year. These schemes were all non-contributory and means-tested. While there was a 100 per cent withdrawal rate on the pension, this was substantially modified by a 'free area' or income disregard that was nearly the same level as the basic pension rate (Mendelsohn, 1979). Up until the 1940s, however, only about a third of the eligible age group received an age pension. Coverage of income support in retirement was much wider than this, however. Benefits for veterans of the First World War were introduced in 1917 and extended in the 1930s. Benefits payable to ex-servicemen covered another 15 to 20 per cent of the population of retirement age by 1939 (Jones, 1990).

Most other forms of major assistance from the Federal (Commonwealth) government were introduced in the Second World War, including unemployment and sickness benefits and 'widows' pensions, which also covered divorced women and the long-term separated. There were unsuccessful attempts to introduce a contributory social security system in 1928, 1938 and 1975. A National Welfare Fund was introduced in 1945 along with social services contributions, but these were not linked in any way to benefits, which remained flat rate and means-tested. The contributions were re-amalgamated with income tax in 1951 and the Fund was merely an accounting framework until its abolition in the 1970s.

The recurrent interest in a contributory system was subsequently displaced by a move towards universal benefits along the Scandinavian line of citizens' pensions. The present system was decisively formed in the late 1960s and early 1970s, when both major political parties promised to abolish the means test. In 1969, the conservative coalition started this process by reducing the withdrawal rate on all pensions from 100 to 50 per cent, including invalids and widows. The Labor government adopted a different strategy, and abolished the means test for all pensioners aged 75 years and over in 1973, and extended this to those aged 70 to 74 years in 1974.

The trend towards universalism was reversed following the re-election of the conservatives at the end of 1975', although they did replace the test on means with a test on income alone in 1976. The universal pension for those aged 70 years and over was frozen in money terms in 1978, although those above this age were eligible for the basic pension on the same basis as those aged less than 70 years. Following the election of Labor in 1983, a special income test was imposed on those aged 70 and over receiving the frozen universal pension. In 1984 the government introduced a test on the assets of pensioners, mainly designed to exclude from receipt of the pension the very prosperous and those who had arranged their affairs to circumvent the income test.

While there have substantial policy developments since the early 1970s, and particularly since 1983, most pensioners with limited or modest resources have been subject to the same basic pension system since 1969. Until that time, the Australian pension system closely resembled the current system of Income Support in the United Kingdom, although covering a higher proportion of the population because of higher income disregards and assets thresholds. Since 1969 the Australian state pension can be thought of as a hybrid of Income Support and extensive income

The official Commission of Inquiry into Poverty in 1975 had recommended the introduction of a guaranteed minimum income (GMT) scheme, but this was not proceeded with.

supplementation_ For example, the proportion of the eligible population receiving an age pension peaked in the late 1970s at 77 per cent, but with an extra 15 per cent receiving a service pension. Following restrictions on eligibility, coverage has fallen and in 1992 around 78 per cent of the population of age pension age were receiving one or other of these two forms of support (Australian Department of Social Security, 1993).

2.3 Social assistance

Defining social assistance in the Australian context

Because nearly all benefits are means-tested, flat rate and financed from general revenue, the Australian system of social security has often been characterised as epitomising a residual or liberal approach to social welfare (see, for example, Esping-Andersen, 1990). This description is misleading, however, as has been argued by a number of Australian social policy analysts (Mitchell, 1992; Mitchell *et al.*, 1994). It is true that there are means tests applied to the combined income of husbands and wives (not including children or other persons living in the same household, unless they are regarded as living together as a man and wife). Entitlements and payments, however, are made individually, so that each partner in a couple can receive half the assessed rate of pension in their own right. In addition, there are virtually no discretionary elements in the social security system. It has a structure of clear rights spelt out in legislation and has well-developed internal and external appeal arrangements.

The means tests in much of the Australian system are primarily designed to exclude fairly well-off individuals, not to concentrate benefits on a residual group. The crucial fact about the Australian system is that there are no social insurance programmes at all. This means that it is very hard to define what constitutes social assistance in the Australian (and New Zealand) context. At one extreme, it could be argued that virtually all payments are a form of social assistance, and at the other, that only the Special Benefit going to around one per cent of all recipients is social assistance. Either extreme would be misleading, however, since benefits to the unemployed and short-term sick are virtually identical in structure to Income Support in the United Kingdom.

While the Australian system of support for older people, disabled people and lone parents was for many years broadly similar in structure to Supplementary Benefit/Income Support in the UK, this is no longer the case. Because of the 50 per cent taper introduced in 1969 for pensions, most persons in the eligible groups receive some pension payment. In 1989, nearly 80 per cent of those in the eligible age group were receiving an age or service pension. The cut-out point for the married rate of pension exceeds average weekly earnings, and the assets test applied to pensions is structured so as to exclude those with substantial wealth, not to restrict payments to those in demonstrable need. For *example*, for a couple who own their home, allowable additional assets (over and above the value of the home) before pension started to be reduced were AS147,500 in 1991 (about US\$110,000 or £69,000). For non-home-owners, the figure was nearly 50 per cent higher.

Given these factors, it is probably more accurate to see the Australian system either as effectively providing a form of negative income tax for the elderly and some other groups, or as an integrated system of social assistance and partial social insurance. The unemployed and the sick, however, receive payments under conditions similar to those applying under Income Support in the United Kingdom, although the assets tests are far more liberal.

" In addition, the government provides special tax rebates to those receiving pensions, with the effect that most pensioners have no tax liability.

Legislation and police objectives

Payments are made under the Social Security Act 1991, the Veterans' Entitlement Act 1986, and the Seamen's War Pension and Allowances Act 1940'. Since 1988, the Government has articulated specific objectives for social policies within the framework of an annual Social Justice Statement. The social security system is seen as a key element in meeting the Government's broad social justice objectives. In November 1988 the Government introduced the requirement that four elements of social justice (equity, equality, access and participation) should be taken into account when programmes are implemented and evaluated. Each of the five income security programmes (the Retired; People with Disabilities and the Sick; the Unemployed; Families with Children; and Special Circumstances) is meant to promote equity in the distribution of economic resources and equality of economic and social rights. These elements are reflected in the programme objectives -- most prominently in terms of adequacy, which is the primary objective of all five programmes.

The key priority is to provide an adequate level of income for those unable to provide for themselves. This has involved real increases in rates of income security payments, combined with further targeting of available resources to the more needy through the introduction of new income and assets tests and the restructuring of existing tests. The Government argues that it has also promoted a more active approach to self provision, for example, among the aged, by promoting superannuation and effective management of financial assets; for disabled people through reforms which facilitate greater participation in labour market, education and rehabilitation programmes; for unemployed people through a co-ordinated policy directed at getting people back into employment through more effective job search programmes, targeted labour market programmes and greater emphasis on client obligations; for age, disability and sole parent pensioners through the pensioner earnings credit; and for lone parents by increased support for children through the Child Support Scheme and the Jobs, Education and Training Programme (JET) for improving access to the labour market.

The income support role of the Department of Veterans' Affairs is to compensate veterans and their dependants for the premature ageing and loss of earning power which could result from the intangible effects of qualifying service in a theatre of war, and to allow veterans and their dependants to enjoy a living standard which is at least equal to that provided by other Government programmes and, whenever practicable, consistent with veterans' special standing in the community.

Administrative and regulator's framework

The Commonwealth Government, through the Department of Social Security, is responsible for administering payments to pensioners, allowees and beneficiaries. Payments to war veterans are administered by the Department of Veterans' Affairs, and to students through the Department of Employment, Education and Training. Some concessions (such as reductions in local authority rates, car registration fees and public transport fares) to recipients of income support payments and other low-income earners are provided by State and local governments.

Conditions of entitlement

Unemployment Allowances: The income support system has a two-tiered structure commencing with the Job Search Allowance (JSA) phase which runs for the first 12 months of unemployment. The second tier is the Newstart Allowance (NSA) which is available to people who have been unemployed for 12 months or more. The defined duration of unemployment is based on registration with the

Veterans' Entitlements Act 1986. An Act to provide for the payment of pensions and other benefits to, and to provide medical and other treatment for, veterans and certain other persons, and for other purposes. *Seamen's War Pension and Allowances Act 1940.* An Act to make provision for the making of other Payments in respect of Australian Mariners who suffered Death or Disablement as a result of the War which commenced on 3 September 1939.

Commonwealth Employment Service (CES) and disregards breaks in registration such as because of casual work - of less than six weeks. The Newstart Allowance is specifically tailored to the long-term unemployed and is linked to a more comprehensive process of client contact, assistance and obligation than under the Job Search Allowance. In January 1995 Job Search Allowance for people under 18 was replaced by Youth Training Allowance, so the minimum age for unemployment allowances is now 18.

To be eligible for unemployment payments, a person must be:

- registered as unemployed with the Commonwealth Employment Service (CES):
 - a** aged between age 18 and retirement pension age (65 for men and 60 for women);
- an Australian resident and residing in Australia during the period of payment; and
- willing and capable of actively seeking full-time work.

Youth Training Allowance (YTA) is payable to people aged under 18 who are registered with the CES and undertaking education, training, job search or other activity in preparation for employment.

In addition, an unemployed person is subject to the income and assets tests set out below. These tests are designed to ensure that assistance is provided to those most in need of assistance.

Generally, the youngest age at which individuals can receive YTA is 16 years although some 15 year olds may qualify under exceptional circumstances. Otherwise, a discretionary payment called Special Benefit may be paid to people aged under 16 years in some circumstances (such as homelessness or pregnancy). While young people under 18 years can claim YTA in their own right, they are subject to a parental income and assets test unless they are either homeless or can establish that they are living independently from their parents.

Age Pension: Claimants must be age 65 for men and 60 for women^a. They must have lived for ten years in Australia, including at least five years continuously, and must be living in Australia to make an initial pension claim. Entitlement is subject to income and assets testing.

Service Pension: Service Pension is provided at rates equivalent to social security pensions to Australian veterans and mariners and Commonwealth and allied veterans and mariners, in recognition of the effects of eligible war service. The pension is income- and asset-tested and taxable. Service pension is also available to partners of service pensioners and a Carer service pension is payable to a person who provides a veteran with constant care and attention. A veteran may receive a service pension on the basis of invalidity rather than age, if he or she is considered permanently incapacitated and unemployable. Additional allowances for children, telephones, living in remote areas, medicines and rent assistance may be payable to eligible service pensioners.

Age service pension is available to eligible veterans at age 60 for men and 55 for women. Over the next 20 years the age for women is to be raised to 60, the same as for men. Invalidity service pension is not restricted to those over retirement age.

Disability Support Pension - A claimant must have a physical, intellectual or psychiatric impairment measured in relation to specified Impairment Tables as at least 20 per cent, and have a continuing incapacity for work. That is, the claimant

^a Until 1 July 1995, women can claim the pension from the age of 60. After that date, the eligibility age will gradually increase to 65 over the period up to January 2014.

must be considered unable, for at least two years, to carry out full-time work (30 hours a week) at full award wages of a kind for which he or she is presently skilled or could be re-trained to do. People can also qualify on the basis of being permanently blind. Applicants must be at least 16 and have not reached age pension age (65 for men and 60 for women) at the time of the claim. Existing pensioners could remain in receipt of this pension upon reaching retirement pension age, but they are treated essentially as retirement pensioners (and thus their pension is no longer tax exempt).

Wife Pension : A claimant must be female and have a partner who is an age pensioner, disability support pensioner or carer pensioner. If she or her partner is aged under 21, neither has a dependent child and her partner was granted pension after November 1991 she is not qualified. A claimant must be 21 or over unless she or her partner has a dependent child.

Carer Pension: A claimant must be providing constant care for a frail older or disabled person in that person's residence and living with or adjacent to the person for whom the care is provided. The person receiving care must be receiving a pension or allowance from either the Department of Social Security or Veterans Affairs. The carer is only allowed a maximum of 10 hours per week to undertake education, training or employment. The claimant must be below 60 at the time of the claim.

For all these pensions the income and asset tests are the same as for the age pension.

Sickness Allowance: A claimant must be temporarily incapacitated because of a medical condition arising from sickness or accident and must either have suffered a loss of income (and therefore not be on full sick pay from an employer), or be eligible for Job Search or Newstart Allowance if not temporarily incapacitated. They cannot usually receive Sickness Allowance for more than 12 months, although this may be extended in special circumstances. The age requirements and the income and assets test are as for Job Search or Newstart Allowance.

Sole Parent Pension: To be eligible for a Sole Parent Pension (SPP), a person must:

- e not be a member of a married or *de facto* married couple, and
- have at least one dependent child under 16, or a child 16--24 attracting Child Disability Allowance, and
- ® take reasonable action to obtain child support where appropriate.

SPP is also payable to a married person whose partner has been in prison for longer than 14 days or who is unable to live with his or her partner because of the partner's illness or infirmity.

Sole parent pensioners are subject to the same income and assets testing arrangements as other pensioners and there is no minimum age of eligibility.

Mature Age Allowance: Mature Age Allowance (MAA) is a response to the particular difficulties faced by those near retirement age in securing employment in the current tight labour market. MAA is tailored to unemployed people aged 60 -64 who have been registered as unemployed with the CES and have been in receipt of income support for 12 months or more. It is not activity tested, is paid at age pension rates and has the same fringe benefits as for pensioners.

Special Benefit: Special Benefit provides assistance to people in severe financial need due to circumstances outside their control, for whom no other pension or allowance is payable and no other support is available. Special Benefit is not

From 1 July 1995 there will be no new awards of Wife Pension.

payable where the available funds and liquid assets of the person are A\$5,000 or more. In cases of short-term need, benefit is not payable if readily available funds exceed two weeks' benefit. Any income is treated as a direct deduction (dollar for dollar) from the rate of special benefit. A successful applicant will receive payment for up to 13 weeks but where practicable the claimant should be trying to make alternative arrangements to change the situation which has resulted in the need for income support. Despite the theoretical 13 week limit, the majority of successful applicants receive it for a longer period of time and it constitutes their basic source of income. It nevertheless remains subject to review every 13 weeks. The rate of Special Benefit payable is at the discretion of the Secretary of the Department of Social Security, but cannot exceed the rate of Job Search Allowance or Newstart Allowance which would be payable if the person were eligible.

Residence and nationality

Under the Social Security Act, 'Australian resident' means either an Australian citizen or someone who has been granted permanent residency under the Immigration Act or an 'exempt non-citizen' who is likely to remain permanently. Qualifying Australian residence means at least five years continuous residence and a total of ten years residence. In order to receive the age pension, a claimant must have lived for ten years in Australia, five years of which must have been continuously. A person must be living in Australia to make the initial pension claim. Since April 1994, low-income retirees who do not qualify for the pension on residency grounds have been entitled to the Seniors' Health Card, which gives them access to pharmaceuticals, hearing aids and dental health care at concessionary prices. To receive a Disability Support Pension, a claimant must either be an Australian resident when becoming unable to work, or have ten years qualifying residence. There are no residency requirements for a Wife Pension. To receive a Carer's Pension, a claimant must be in Australia. To meet the residency qualifications for Sole Parent Pension, the sole parent must be an Australian resident at the time of becoming a sole parent, have five years continuous residence immediately prior to claim, or have ten years continuous residence at any time. From January 1995 these rules have been waived for refugees in certain circumstances.

A veteran, mariner, partner or carer is generally not eligible to lodge a claim for service pension unless he or she is an Australian resident and currently lives there. Allied or Commonwealth veterans and allied mariners must also demonstrate, in addition to being an Australian resident and residing in Australia, that they have, at any time, been an Australian resident for a continuous period of at least ten years. An allied or Commonwealth veteran or allied mariner considered permanently incapacitated for service pension purposes may not have to satisfy this requirement.

To qualify for Sickness Allowance or Unemployment Allowance, claimants must be in Australia and residents of Australia. One exception applies to those in receipt of MAA who may receive payment for up to 26 weeks while absent overseas.

Newly arrived migrant residents must wait 26 weeks before qualifying for the appropriate allowance although they may receive Special Benefit during this waiting period if they are suffering hardship.

In general, social security payments are available only to permanent residents of Australia. There are, however, some exceptions to this rule. Holders of certain temporary entry permits and visas may have access to Special Benefit, family payments and health cards, subject to the usual income and assets tests. Only four types of permit/visa are currently included in this category: one is a refugee visa; two are for Chinese nationals (and their spouses) who were in Australia on 20 June 1989; and one is the visa issued to temporary residents who marry an Australian resident, pending establishment by the Department of Immigration and Ethnic Affairs that the marriage is genuine. An Asylum Seeker Assistance scheme also

became operational on 1 January 1993. This scheme is managed by the Australian Red Cross Society and aims to provide material assistance to applicants for refugee status who are in need. This payment is equivalent to 89 per cent of Special Benefit and is available to applicants who have been waiting more than six months for their applications to be approved.

A number of Australian social security payments may be taken overseas. Portable payments include Age Pension, Disability Support Pension, Wife and Widows Pensions, Sole Parent Pension, Service Pension and, in some circumstances, Carer Pension. The amount of pension payable may depend upon the period the pensioner has lived in Australia during their working life (proportional portability). Some payments, such as Disability Support, Wife, Sole Parent and Widows Pensions, cease to be payable after 12 months' absence from Australia. Disability Support, Wife and Widows Pensions may continue to be paid indefinitely if the pensioner resides in a country that has a social security agreement with Australia.

Australia currently has social security agreements with eleven countries: Canada, New Zealand, Austria, Ireland, United Kingdom, The Netherlands, Cyprus, Portugal, Italy, Spain and Malta. The UK and NZ Agreements differ from the others in that the country in which the person lives is responsible for that person's social security coverage. All other agreements include 'shared responsibility' coverage, so that each country in which a person has lived pays in proportion to the person's connection with each country's social security scheme.

Duration of benefit entitlement

All assistance is available for as long as the claimant qualifies, except Job Search Allowance and Sickness Allowance. For Job Search Allowance, people aged 18 and over are eligible for the first 12 months of unemployment only (thereafter they are eligible for New-start Allowance on a continuing basis), Sickness Allowance is available for the duration of incapacity (reviewed every 13 weeks or less, according to the medical certificate), up to 12 months, and in certain circumstances up to 24 months.

Availability for work and labour market policies

In order to qualify for unemployment benefits, unemployed people must be able to demonstrate they have actively sought work during the previous fortnight and/or have undertaken other approved activities to improve their employment prospects (the 'activity test'). The requirements of the activity test differ for certain types of unemployed people, namely older people, dependants of benefit recipients, lone parents, and long- or short-term unemployed people. It is recognised that older unemployed people face significant problems in obtaining work in the current tight labour market. Therefore, unemployed people over 50 years who have been unemployed for 12 months or more can report to the Department of Social Security every 12 weeks (instead of the standard two weeks) and can accept work that pays a minimum of 35 per cent of the average male award wage as an alternative to looking for full-time work. The activity test has been abolished for unemployed people aged between 60 years and pension age who are unemployed for more than 12 months and in receipt of Mature Age Allowance.

The spouses of unemployed clients aged over 21 years are not required to seek work and are automatically entitled to allowance as a direct consequence of their marital status and/or assumed financial dependence. While since September 1994 spouses have been paid half the married rate of allowance as a direct entitlement (called 'Partner Allowance'), their entitlement still depends on their partner's continued eligibility for income support. However, each member of a couple can choose to qualify for unemployment benefit in their own right and be activity tested, although few couples take this route. Individual activity-testing is compulsory for married people under 21 years without children. As from 1 July 1995 partners of allowance recipients under 40, or over 40 with recent work experience, are required to claim JSA or NSA in their own right and be activity

tested, provided they do not have dependent children under 16. Partners who wish to stay at home to look after dependent children will receive Parenting Allowance (PgA), which is paid at the same rate as JSA or NSA. A portion of PgA is subject to a personal income test only and is not affected by the income of the other partner.

Unemployed people can do up to 20 hours per week of voluntary work without Commonwealth Employment Service (CES) approval, but to ensure that they are actively seeking full-time work there are limits on the amount of full-time voluntary work which can be carried out in one year. The duration of full-time voluntary work varies according to a person's circumstances and the duration of their unemployment: clients under 18 who have been unemployed for three months or more can do up to 30 days a year of full-time voluntary work. While those aged 18-49 can do the same but only if they have been unemployed for at least six months. People over 50 who have been unemployed for 12 months can do up to 65 days a year of full-time voluntary work. Clients in case management, including the long-term unemployed (unemployed for over 12 months) may be able to do more voluntary work as part of their Activity Agreement with the CES.

For people who are retired or approaching retirement age, there are no job search requirements. Recipients of Disability Support Pension, Wife Pension, Carer Pension, Sole Parent Pension and Sickness Allowance are also not required to seek work. However, once a lone parent's youngest child reaches 16 years, the parent is no longer eligible for SPP and must then qualify for Job Search Allowance which is activity tested. While exempt from activity testing, sole parent pensioners have access to the Jobs, Education and Training (JET) programme to assist their entry or re-entry into employment through training, education and assistance in finding child care.

To qualify for fortnightly payments, an unemployed person must advise the DSS of their efforts to obtain employment in the previous fortnight by filling out a 'Continuation of Payment' form. A client may be asked for details such as approaches made to prospective employers, including listing the names and addresses of all employers approached, either in writing or in person, during the relevant period. The DSS may liaise with the CES in administering the activity test. Factors such as a client's age, mobility, qualifications, ethnic background, work history, geographic location and local job opportunities may be taken into account in assessing a client's job search activities. Refusing a job offer or referral to a vacancy or a placement in a suitable training programme may be determined as grounds for failing the activity test.

Where there is some doubt over a client's efforts to find work, the DSS may issue a Work Intentions Form or an Employment Contact Certificate form under which a person's compliance with the activity test requirements is more closely scrutinised. After clients have been in receipt of unemployment benefit for three months, they are subject to a compulsory three-monthly review interview to assess their continuing eligibility and job search efforts. Failure to respond or attend may lead to a period of benefit suspension.

Existing recipients and claimants (whether successful or not) of Disability Support Pension and Sickness Allowance can get help from Disability Panels, comprising officers from the Department of Social Security, the Commonwealth Rehabilitation Service and the Commonwealth Employment Service. These panels can refer them to public and private service providers for education, training, rehabilitation and job placement. Participation is voluntary.

The payment of income support for the unemployed is linked to both active job search and a limited range of other activities which unemployed persons can undertake to improve their prospects of employment in lieu of full-time job search. The activity test requirements outlined earlier are a form of contract between an unemployed person and the Government which underpins the reciprocal nature of

the income support system. This reciprocal obligation embraces the community's agreement to support people financially during periods of unemployment, contingent on their agreement to actively seek work and, where necessary, improve their employment prospects through training and education.

Pensioners with income below the income 'free areas' (or disregards -- see below) are allowed to accrue credits which may be used when additional earnings from employment are received. When earnings from employment cause a pensioner's income to exceed the free area, their pension rate is not reduced until available credits are used up. The excess earnings are then taken into account under the normal income test. There is also a (less generous) credit available to recipients of allowances.

For Disability Support Pension, eligibility rules preclude people being able to work 30 hours a week or more on full award wages. Full-time work at pro-rata disability wages introduced in July 1994 allow eligibility for a new payment to be called Disability Wage Supplement, paid at pension rates and subject to pension income and assets tests. Carer Pension eligibility rules preclude people who could work more than ten hours a week.

Eligibility rules for Sickness Allowance preclude people who could work eight hours or more per week on full award wages. Those with a continuing employment contract are eligible if they are unable to perform their normal work. The income test for unemployment allowances is designed to encourage people to supplement their income support through part-time and casual work, in recognition of the benefits that flow from continued labour force attachment. At the same time, this test is structured to avoid clients opting for 'under-employment', by maintaining the incentive to move into full-time *work* (see below).

The benefit unit

Eligibility is based on individuals, but the rate of payment and the income and assets tests are based on couples. That is, any person meeting qualification rules can claim any pension or allowance, but the amount payable varies between married and single people and is based on joint income or assets of couples. Women married to age or disability support pensioners can claim wife pension if not receiving another pension or allowance. Husbands of pensioners do not automatically receive a pension or allowance. Allowees and beneficiaries used to receive an additional allowance to support a dependent partner (male or female) if that partner was not receiving another pension or allowance. This additional allowance was equivalent to the amount payable to the beneficiary in his or her own right. Since September 1994 dependent partners have received a Partner Allowance, which is similar to the Wife Pension, but available to partners of either sex. Pensioners and allowees are automatically entitled to claim family payments for dependent children. Low-income families can claim family payments subject to income and assets tests, with couple households jointly assessed.

The only dependency-based income support payment applicable to the retirement income area is Wife Pension. Women aged 21 years or older, or with dependent children, and who are married to an age pensioner can receive this payment (at normal pension rates) if they do not qualify for a pension in their own right. While Wife Pension is paid directly to the wife, her eligibility depends on her husband's entitlement. In the event that the relationship ends or the husband dies, such women are required to qualify for income support in their own right. As mentioned earlier, no new payments of Wife Pension will be made after 1 July 1995.

Anyone over 16 can claim a pension or allowance separately, but people under 18 who receive an allowance and are neither homeless nor independent are subject to a parental income and assets test in addition to the normal income test. However, the entitlements of young people who receive a pension (for example, because of

disability or lone parenthood) are not determined by reference to parental income or assets. A young person who has not turned 16 is counted as 'dependent' if:

- S the adult has the right (whether alone or jointly with another person) to exercise care and control and decision making in respect of the young person. and
- ® the young person is not a dependent child of someone else and is wholly or substantially in the adult's care and control.

A young person who has not turned 16 cannot be counted as a dependent child if he or she is not in full-time education and has an income exceeding AS112.70 per week. They also cannot be a dependent child if they are receiving either a social security pension or benefit in their own right or receiving payments under a Labour Force programme.

A person is counted as a member of a couple where:

- they are legally married to another person and not living separately and apart from the other person on a permanent basis, or
- living with a person of the opposite sex in a 'marriage-like' relationship.

Income and assets tests'

Social assistance for couples is based on joint income or assets. These are assumed to be shared equally within the couple. If a pensioner has a non-pensioner spouse. any joint income above a 'free area' - AS44 per week in 1994 (equivalent to approximately USS33 or £21) will affect the pensioner's rate of pension. Any income that a pensioner derives, be it from a household member or any other source, reduces their rate of benefit if it is above the free area. If a couple is separated because of illness, the single rate of pension (which is higher than half the combined rate) is payable to each of the couple, although the joint income test still applies.

Children's income is only taken into account if it consists of earnings over a specified limit and then it is only counted against eligibility for family payments. The 1994 earnings limit for children under 16 years was AS 112.70 per week. Children aged 16 and over and living at home cannot earn more than A\$4,100 per annum (AS78.85 per week). Children aged 16 and over, and not living at home, cannot earn more than A\$6,800 per annum or (AS130.77 per week).

There are legislative provisions under Australia's *Child Support (Registration & Collection) Act* requiring non-custodial parents to contribute to the maintenance of their children by a previous relationship. These provisions cover both *de jure* and *de facto* relationships. Payments of maintenance are taken into account under a specific income test when determining rates of payment for children (known as family payment). In addition, claimants for sole parent pension are required to take reasonable action to obtain maintenance.

Maintenance reduces Additional Family Payment by 50 cents in each dollar of maintenance above the following (1994) income limits:

| | | |
|--|-------------|--------------------|
| couples both receiving maintenance, for first child | A\$1,700.40 | (USS1.279 or £802) |
| sole parents or one of a couple for first child | AS 850.20 | (USS 639 or £401) |
| for each additional child | AS 283.40 | (USS 213 or £134) |

^s Persons in receipt of a Department of Veterans' Affairs (DVA) War Widow's pension are exempt from the income and assets test. The rationale is that this pension is a compensatory pension and not an income support pension. Pensions for the blind are also free of the means test.

A pensioner or allowance recipient can receive certain training allowances which are disregarded (Austudy pensioner supplement'). Payments made under the Social Security Act are not taken into account when assessing ^g income. This includes such payments as Mobility Allowance, child payments, Rent Assistance and Pharmaceutical Allowance.

For earnings, the disregards depend on whether the person is a recipient of a pension (for older or disabled people and lone parents) or an allowance (Unemployment Benefits and Family Payments). Pensioners had a 'free area' (in 1994) of AS44 per week, or AS76 for a couple, plus AS12 for each child. Maximum rate pensioners received a credit for the full value of the adult free area up to a maximum of AS1,000 each (AS2,000 for couples). All other private income above the free area reduces the pension rate by half the extra income. For example, a single pensioner with no children may have a weekly income of AS60. Less the free area of AS44, this leaves AS16 as excess income. The maximum standard pension is then reduced by half the excess income (AS8).

For unemployed people the income test has been structured in the following way: there is a basic free area which in 1994 was AS60 a fortnight. In addition to the free area, there is an earnings disregard, which applies to income derived only through employment. These are AS30 per fortnight for single people and AS50 per fortnight for each of a married couple. Earnings disregards were introduced to provide greater incentives for unemployed people to take up any available part-time or casual work, and are higher for each of a couple than for single people to encourage dual workforce participation. Once private earnings exceed the free area (plus the earnings disregard where relevant), allowance is reduced by 50 cents in the dollar (25 per cent each for a couple) for the first AS40 of combined income above the free area and dollar for dollar thereafter until private income reaches the cut-out point where no allowance is payable. The cut-out point for the different rates of payment varies according to age *and* household status (single over 21 years, single under 21, married and so on.) To encourage unemployed people to take up casual work (where earnings vary from week to week), an earnings credit has been introduced for the unused amounts of the 'free area' up to a total of AS500. This is intended to avoid the loss of allowance where casual earnings from one fortnight exceed the free area.

From 1995 the income test is to be amended, so that after the initial free area of AS30 dollars individual unemployed people will be able to retain 50 per cent of any earnings up to AS70 per week and then 30 per cent of any earnings above this limit. The test is also to be partially individualised, so that the disregards will apply to each member of a couple on their own earnings ^gs and a partner's income will only affect the other partner's allowance when the higher earning partner loses all entitlement to benefit. This is aimed particularly at the spouses of unemployed men and is intended to encourage both partners to seek work.

As was stated above, young people aged 16 but under 18, who are neither homeless nor independent, are also subject to a parental means-test. In 1994 the assets threshold was AS370,500 (approximately US\$279,000 or £175,000) and the income threshold was AS21,350, plus AS1,200 for one extra dependent child and AS2,500 for a second and subsequent children.

Basic Family payments in 1994 ceased above the following income limits:

| <i>Number of children</i> | <i>Income level (per annum)</i> |
|-------------------------------|----------------------------------|
| | AS60,000 (US\$45,100 or £28,300) |
| 2 | AS63,000 |
| 3 | AS66,000 |
| 4 | AS69,000 |
| 5 | AS72,000 |
| for each additional child add | AS3,000 |

Additional Family Payment (in 1994) was reduced by 50 cents for each dollar above AS21,350 per annum (US\$16,000 or £10,100). An additional A\$624 applied for each additional child. This extends payment to families on the following incomes, with further extension for additional children. Part payment was made for:

- children under 13 years up to AS24,688.40 (plus AS3,962.40 per extra child)
- s children aged 13 to 15 years up to A\$26,061.20 (plus A\$5,335.20 per extra child)
- w students 16 or more up to AS23,118.00 (plus A\$2,392 per extra child).

Only a percentage of the income from boarders and lodgers counts towards the income test. For people providing accommodation only, 70 per cent of the gross income received is counted, but this is reduced to 50 or 20 per cent where some meals are also provided. A lower amount may be assessed where the client can show that more than the figure allowed is spent on items related to the cost of having a boarder or lodger. If the boarders or lodgers are members of the client's immediate family, no income is assessed.

For the pensions assets test, the value of an owner-occupied house is not taken into account. Gifts are also not taken into account if they come from an immediate family member. Payments from charities and trusts are counted unless they are some form of emergency relief or are provided in the *form* of accommodation or meals from certain organisations providing help to homeless people.

'_ Managed investments acquired after June 1988 and shares acquired after August 1992 are counted as providing income, using a rate of return based on change in the unit/share price over 12 months and any income received during that period (such as from dividends). The rate of return (expressed as a percentage) is capped at 50 per cent. However, superannuation investments are exempted from the income and assets tests for clients below retirement age.

Treatment of the self-employed

Self-employed people are eligible for pensions if they meet the conditions and the income/assets tests. Any earnings over a certain threshold (AS90 a fortnight for a single person, A\$110 a fortnight for a couple in 1994) reduces the claimant's unemployment payment. Farmers in financial hardship may qualify for unemployment payments under the usual eligibility criteria or they may qualify for assistance under the Farm Household Support Scheme (FHS), which is administered by the Department of Social Security on behalf of the Department of Primary Industries and Energy. Other government assistance is available through the Rural Adjustment Scheme (RAS). Under the FHS scheme, farmers can obtain a loan for up to two years, paid as unemployment benefit, subject to an income and assets test. Assets essential for the effective running of the farm are exempt from the assets test and recipients are not required to actively seek work. Farmers are not required to offer the farm for sale in order to qualify for FHS, but if the farm is sold while FHS is in payment, the first nine months of payments are converted to a grant and the farmer is liable to repay the balance. As a further incentive, if the sale occurs within the first nine months, the balance of the nine-month period is paid as a cash grant. A re-establishment grant of up to A\$45,000 is also available through the RAS scheme for farmers who sell their farms within two years of claiming FHS. If the *farm* is not sold in the two years, all FHS paid to the farmer must be repaid. FHS is only available for two years, after which the *farmer* or the spouse would need to qualify for unemployment payments under the usual eligibility criteria if they wish to continue receiving income support.

Benefit levels

All rates of assistance are set and apply nationally. Pension payment rates do not vary between *different* states or regions, but people who live in a remote area may be eligible for an extra payment called Remote Area Allowance (RAA).

The rates vary according to whether the recipient is single or married. They are the same for all pensions and allowances, except the rates for single people without children which are generally lower for allowance recipients than for pensioners. Rates for allowees and disability support pensioners under 21 are lower than for adults. There are additional payments for children, *rent* assistance, Guardian Allowance, Youth Disability Supplement, Child Disability Allowance and Mobility Allowance.

Table 2.2 shows the main rates of assistance in 1992 and 1993.

Table 2.2: Monthly rates of main assistance benefits, May 1992 and May 1993

| | Rates (assuming no other income): | | | | | |
|---|-----------------------------------|------|-----|----------|------|-----|
| | 1992 | | | 1993 | | |
| | AS | US\$ | £ | AS | US\$ | £ |
| <i>Pensions (agr, disability support, seller, sole parent, ssdoe* (Class B), rarer)</i> | | | | | | |
| single person | 663.22 | 497 | 312 | 676.21 | 508 | 319 |
| - couple | 1,106.30 | 830 | 520 | 1,127.96 | 848 | 532 |
| <i>Allowances (unemployment, sickness, Special Benefit)</i> | | | | | | |
| - single under 18 | 268.88 | 201 | 126 | 281.23 | 212 | 133 |
| - independent or homeless | 443.73 | 331 | 206 | 464.31 | 349 | 219 |
| -- 18-20 at home | 323.05 | 241 | 153 | 338.21 | 254 | 160 |
| -- 18-20 not at home | 490.75 | 366 | 230 | 513.50 | 386 | 241 |
| -- single 21 and over' | 601.68 | 449 | 282 | 612.51 | 461 | 289 |
| · single with children | 832.71 | 621 | 391 | 676.21 | 508 | 319 |
| -- couples both 21 or with children | 1,089.83 | 813 | 512 | 1,127.96 | 848 | 532 |
| One partner under 21 | | | | | | |
| - for partner 21 or over (each) | 544.91 | 407 | 256 | 563.98 | 424 | 266 |
| - for partner 18-20 (each) | 490.75 | 366 | 230 | 513.50 | 386 | 242 |
| - for partner under 18 (each) | 443.73 | 331 | 208 | 464.31 | 349 | 219 |
| Child Disability Allowance | 129.78 | 97 | 61 | 145.16 | 109 | 69 |
| Mobility Allowance | 47.66 | 36 | 22 | 109.41 | 82 | |

Single over 60, without dependants, get single pension rate after six months on benefit
Based on additional benefit for child under 13 years

Notes: People with children automatically get family payments in addition

People renting privately *are* eligible for additional assistance to cover housing costs

LISS and £ currency values are in purchasing power parities rounded to the nearest unit

Source: Australian Department of Social Security, 1994

Pension rates are monitored in relation to average weekly earnings (AWE). In April 1990, the Government met and exceeded its commitment to a standard pension rate (60 per cent of the married rate) of 25 per cent of AWE (based on total earnings for all male employees). At November 1993, the standard age pension rate was 25.5 per cent of male AWE. This commitment applies only to pension payments. Adult unemployment benefits (Job Search and Newstart Allowance) stand at 23.1 per cent of AWE as at November 1993. The DSS also monitors quarterly changes in the relativity between social security payments and the Henderson Poverty Line (HPL)⁹, adjusted for specific family types using simplified equivalence scales (HPL Simplified). Even though it has *never* been formally endorsed by Government and is widely regarded as having a number of conceptual flaws, the Henderson Poverty Line is commonly used as an indicator of poverty in Australia.

⁹ The Henderson Poverty Line is a relative poverty standard developed by the 1975 Commission of Inquiry into Poverty under the direction of Professor Ronald Henderson.

The DSS in Australia is currently researching and developing a framework for benchmarks of adequacy for basic social security payments. In July 1987, the Government set benchmarks of adequacy for combined child payments (Basic and Additional Family Payment). The benchmarks were reached in July 1989 and all child payments have been indexed since January 1990. The benchmarks are currently 16.2 per cent of the married pension rate for children under 13 and 21.2 per cent for children 13-15.

Virtually all social security payments are now indexed in line with movements in prices rather than the AWE – given the fall in real average earnings described above, price-indexation has been more favourable than wage-indexation. For basic payments, adjustments are made twice a year, while for most additional payments indexation is annual. There were substantial real increases in benefit levels between 1969 and 1975, when the indexation arrangements were introduced for basic pension payments, but not for additional payments for children, for example. Since 1983 there have also been a number of small, discretionary increases above the inflation rate for basic payments. The additional payments received much larger real increases and then effectively became subject to indexation in 1987.

There is a high degree of equality in pension and benefit payment rates. For example, age pensioner couples, invalid pensioner couples, and unemployment and sickness beneficiary couples are all paid at the same rate. Similarly, lone parents, the single elderly, and older sick or unemployed single people are also all paid at the same basic rate, with the same level of additional payments available depending on the number of children. Additional payments for children of pensioners and beneficiaries are also set at the same rate as the Additional Family Payment (formerly FAS) paid to low-income working families with children. The exceptions to this equal treatment are the single unemployed and sick, who receive benefits currently equivalent, for adults, to 92 per cent of payments for a single pensioner, while 16-17 year olds and 18-20 year olds receive lower rates again. However, this does not mean that the rate of allowance is explicitly fixed at 92 per cent of the pension rate. Both pension and allowance rates are subject to periodic indexation, but *ad hoc* changes can take place to one or the other which alter the relativities between them.

Despite the fact that benefit rates are indexed in line with prices, most have increased in real terms since 1983. In addition, supplementary payments for children and for tenants have been increased at well above the inflation rate. The DSS has estimated that the basic rate of pension increased by nearly 14 per cent in real terms between March 1983 and September 1992, while support for a lone parent with one child under 13 years and renting privately increased by 30 per cent in real terms over this period (Whitlock, 1993). However, it has been argued that the official estimates tend to exaggerate the underlying trend – although not to an enormous degree. For a critique, see Bradbury, Doyle and Whiteford (1990).

Basic benefit levels are substantially higher than under Income Support in the United Kingdom. However, unlike in the UK system, pensioners and beneficiaries, other than those renting privately, are expected to cover most of their housing costs out of these payments. Beneficiaries in public housing pay around 20–25 per cent of their gross income in rent. A supplementary payment to meet the cost of private renting is available to income support recipients (see 2.4). Average rents for recipients in private housing were around 40 per cent of income in 1988, while for purchasers average housing costs were just under 40 per cent of income.

At December 1993 (the latest date for which data are available), 41 per cent of all DSS clients in private rented accommodation were estimated to face affordability problems (i.e., were paying more than 30 per cent of their income in rent). Comparable figures for clients in public housing or owner-occupation are not available.

There is a very *high* level of home-ownership, particularly among the retired, which protects many social security recipients from high housing costs. For example, it can be roughly estimated that around 70 per cent of lone parents on benefit in Australia would have higher disposable incomes after housing costs than under U.K. benefit arrangements, while around 30 per cent would be worse off.

Other assistance-linked benefits

These have mainly been described above. Families with children are entitled to Basic Family Payment (called Family Allowance until 1992). The rates depend on the number of children in the family and are subject to the income limits set out above.

| <i>Basic Family Payment (1994)</i> | |
|------------------------------------|-------------------------------|
| <i>Number of children</i> | <i>Rate (per fortnight)</i> |
| 1 | A\$20.90 (US\$15.70 or £9.90) |
| 2 | A\$41.80 |
| 3 | A\$62.70 |
| 4 | A\$90.60 |
| 5 | A\$118.50 |
| for each extra child add | A\$27.90 |

The Additional Family Payment (called Family Allowance Supplement until December 1993) is also payable to low-income working families. It is subject to the income limits set out above and rates of payment depend on the age of children.

| <i>Additional Family Payment (1994)</i> | |
|---|--------------------------------|
| <i>Child Age</i> | <i>Rate (per fortnight)</i> |
| Children 13 years | A\$61.90 (US\$46.50 or £29.20) |
| Children 13 to 15 | A\$87.40 |
| Students 16 or more | A\$34.00 |

A Dependent Spouse Rebate (DSR) has been provided in the tax system in recognition that the cost of supporting dependants reduces a person's capacity to pay tax in comparison with a person who does not have dependants⁶⁶. By reducing the tax paid by the breadwinner, the DSR compensates taxpayers for the expenses incurred by a married breadwinner who is supporting a spouse as a full-time homemaker. In 1993-94, the value of the DSR to a couple without children was A\$1,188 a year and to a couple with children was A\$1,425. The rebate is indexed annually. The DSR is currently income tested on the dependent spouse's income, but not on the recipient's income. It is withdrawn at ASI for every A\$4 by which the spouse's income exceeds A\$282 a year.

Since 1 September 1994, the Dependent Spouse Rebate (DSR) has no longer been payable to families with children. It has been replaced, as described above, by a Home Child Care Allowance paid to the child carer if they earn less than A\$282 per annum, also subject to a 25 per cent taper. In effect, the tax rebate has been cashed out and will be paid to the carer (usually the mother). Those without children are unaffected.

The Commonwealth Government also provides substantial assistance with work-related child care through operational and capital subsidies to non-profit services and an extensive system of income-related fee relief to eligible families in approved services, including non-profit, private and employer-sponsored services. Fee relief is provided through service operators to enable reduced fees to be charged to low- and middle-income families. Current expenditure under this programme is around A\$600 million. This is around US\$450 million or £280 million in cash terms, though it would be equivalent to substantially more if applied to the target

¹⁰ The DSR is similar to the married couple's tax allowance in the UK, but it is restricted to couples (*de jure* or *de facto*) with one earner. Couples where there are two earners are eligible for two personal allowances (tax thresholds).

population groups in either the UK or the USA. Fee relief is calculated on the basis of a maximum fee, which in April 1993 was A\$108.50 for 50 hours of care per week. Maximum fee relief was then A\$87.50 per week for a family with one child in 'long-day' care. That is, if a centre was charging the maximum fee for relief purposes, a family entitled to maximum relief would only have to pay A\$21 per week (about US\$16 or £10) for long-day care for one child. Maximum relief was payable when family income was less than A\$459 a week, and then was reduced so that all assistance was withdrawn when family income exceeded A\$59.120 (about US\$44,500 or £28,000 pa). While assistance under this scheme is available to all, lone parents are a priority group for places in subsidised centres. The government's target is to meet demand for work-related child care by 2000-2001, and to be subsidising 300,000 places by 1996-97. In addition, from 1 July 1994, a non-income-tested Child Care Cash Rebate has been available, over and above the assistance described above. The rebate is provided in respect of 30 per cent of child care expenses for children up to 12 years of age.

One-off and urgent payments

The DSS administers various forms of assistance which relate to special needs and emergency relief.

Example of where Special Benefit falls into the category of 'one-off or urgent payments' include payments to expectant mothers without other forms of financial support, victims of natural disasters, dependants of a person on remand awaiting trial and dependants of a person laid off because of industrial action.

A disaster relief payment (DRP) is available to victims of major (or widespread) disasters if their normal place of residence has been severely damaged and/or they have suffered a significant interruption to their normal source of livelihood as a result of the disaster. Clients already receiving a pension or benefit at the time of the disaster are also eligible for the payment. Disaster relief payment is a one-off payment equivalent to two weeks pension, plus additional family payment and rent assistance at the maximum rate appropriate to the claimant's family circumstances disregarding income and assets testing. However, at Ministerial discretion the rate of payment can be increased.

Special Benefit and DRP *are* not loans and no repayment is necessary unless it is found that the clients are wrongly entitled to payments. To access payments, clients apply for payment at a regional office of the DSS.

The DSS also subsidises a Home Equity Conversion (HEC) loan scheme, which is operated by the Advance Bank. An HEC loan enables pensioners with few other resources to convert some of the equity locked up in the home into immediately available cash. Pensioners may borrow up to A\$7,500 at one time, and only one loan application may be made in any 12-month period. Borrowers are charged the variable owner-occupied rate of interest but do not have to make any regular repayments. The loan is repayable when the property is sold, when the pensioner (or surviving partner) dies, or when the pensioner permanently leaves the principal residence. The DSS HEC loan system is designed so that the pensioner will always retain significant equity of at least A\$20,000 (indexed to the Consumer Price Index) in the home.

Lump-sum payments are available to assist pensioners and allowance recipients with the costs of full-time work or full-time study. These payments are the Employment Entry Payment (currently A\$50 for under 18 year olds, A\$300 for people who were on Disability Support Pension and A\$100 for others) and the Education Entry Payment of A\$200. These payments may be made no more than once every 12 months.

There are also lump-sum options for Basic Family Payment and Mobility Allowance instead of regular periodical payments, as follows. Half of the first

child's rate of Basic Family payment can be requested as a lump sum each six months, limited to A\$138.45. In the case of Mobility Allowance (a non-means-tested payment of A\$26.20 a week for people in employment, vocational education or training, voluntary employment or looking for work, who are unable to use public transport without substantial assistance), recipients can take six months' entitlement as a lump-sum advance instead of fortnightly payments.

These forms of assistance are largely provided through federally funded 'Emergency Relief' programmes administered by non-governmental and charitable organisations. There are no schemes, and no tradition of, providing lump-sum payments for special items of clothing or household furniture, as in the UK and a number of other European schemes.

The relationship between means-tested schemes

In general dual entitlement is precluded. Unemployment payments and student assistance through Austudy/Abstudy (for aboriginals) are mutually exclusive, so that a person cannot receive both unemployment payments and student assistance payments at the same time. People studying part-time (less than 20 hours per week) who are not receiving student assistance, can qualify for unemployment benefits if they continue to look for work and their course does not interfere with their job search efforts. Unemployed people undertaking full-time, approved training and education courses can remain on unemployment payments if their course runs for less than six months. For approved courses over six months duration, a person must transfer to Austudy/Abstudy.

DSS pension, allowance, benefit and Additional Family Payment recipients are eligible for the maximum rate of Child Care Assistance. Child Care Assistance recipients are subject to DSS income assessment rules like the general population.

Fringe benefits and concessions

The Department of Social Security issues three concession cards to recipients of income support payments and other low-income earners. These cards allow access to concessions and fringe benefits provided by the Commonwealth, State and local governments.

The most valuable of the cards issued by the DSS is the Pensioner Concession Card (PCC). This is issued to all pensioners (including sole parent and disability support pensioners), and to other social security recipients over the age of 60 who have been on income support for more than 12 months. As discussed above, all permanent residents of Australia are covered by the health insurance scheme Medicare, which is financed partly from income-related tax contributions and partly from general revenue. Medicare benefits include free treatment in hospitals, and rebates on the cost of treatment by general practitioners and specialists outside hospitals. The various concession cards provide additional benefits. Commonwealth-provided fringe benefits attached to the PCC include: free hearing aids provided by Australian Hearing Services; pharmaceuticals at A\$2.60 per prescription; telephone allowance of A\$56 per year, paid by the Department of Social Security; concessions on Australian National Railways travel; and free postal redirection for one month after changing address. Concessions provided by State and local governments vary from State to State, but generally include reductions in municipal and water rates, electricity (and gas if government-owned), motor vehicle registration and drivers' licences, some dental and optical services, and public transport. The Commonwealth, by agreement, shares with the States parts of the cost of providing these concessions. In addition, States and Territories provide a range of concessions on recreational services, such as entry fees to museums, art galleries and swimming pools.

Recipients of Sickness Allowance are eligible for the Health Benefits Card (HBC). The HBC provides access to most Commonwealth fringe benefits, except telephone allowance, and to a limited number of State and local government concessions. The

Health Care Card (HCC) is issued to recipients of Job Search Allowance, Newstart Allowance, Special Benefit, Mobility Allowance, Child Disability Allowance and full-rate Additional Family Payment. Former Sole Parent Pensioners and Job SearchiNewstart Allowance recipients (who have been in receipt of income support for 12 months or more) returning to work receive an HCC for the first six months of their employment. Low-income earners who are not DSS clients may also be eligible, subject to an income test. Low-income earners must apply for the card, but DSS clients receive them automatically. The HCC provides access to reduced-cost pharmaceuticals and a limited range of State-provided concessions. Some State governments also provide assistance with the cost of school uniforms and books to low-income families. These grants are not necessarily attached to Commonwealth concession cards.

Cards offering similar benefits are also issued by the Department of Veterans' Affairs. DVA also issues Treatment Entitlement cards to service pensioners, disability pensioners and war widows. These provide more generous assistance with medical treatment and pharmaceutical costs. In addition, the Commonwealth Seniors Health Card gives non-recipients of age or war service pensions access to major health concessions provided by the Commonwealth Government. It is available to retired people who fail to qualify for a pension because they exceed the asset test limits or do not meet the ten year residency rule. This card does not entitle cardholders to any local or State Government concessions. These may be available through a State Seniors Card.

Administration and the claiming process

Generally, clients have to make personal applications at the Department's regional offices. Recently, however, the Department has extended its service to clients who are unable to attend regional offices because of age, certain disabilities or remoteness. DSS officers visit clients' homes or institutions as required, and special visiting services are provided to some remote communities. The use of portable computers helps to make these outreach services similar to those available at DSS offices. As part of the Government's Youth Social Justice Strategy, the DSS has provided direct services to homeless youth by visiting hostels and other agencies. In 1993, trials were held of the use of mobile vans to extend outreach services to Aboriginal and Torres Strait Islander communities.

For most payments it is generally not necessary to renew a claim unless it has been cancelled, in which case it is necessary to re-apply. JSA and NSA recipients are required to lodge 'continuation forms' every two weeks, except in the case of people over 50 years who are only required to sign on every 12 weeks.

Reviews: reviews are carried out to check clients' continuing eligibility for benefits, pensions and allowances. Through data-matching and risk-based selection clients are selected for review by Mobile Review Teams, Regional Office and Area review staff, and are subject to additional review mechanisms as follows:

Age pensioners - Pensioner Entitlement Reviews (PERs) select risk groups for periodic mail reviews as a means of detecting changes in pensioners' circumstances. In addition, a random sample of 10,000 clients is selected each year for review.

Disability support pensioners - an improved medical review strategy was introduced in November 1991 as part of the Disability Reform Package. This involves two- and five-yearly medical reviews of disability support pensioners.

Sickness allowance recipients - the strategy comprises a mail review concerning medical aspects of eligibility after 12, 40, 64 and 92 weeks of payment, and a field review concerning these aspects of eligibility after 26 and 78 weeks of payment. Clients undertaking rehabilitation programmes can continue for the duration of their programme (up to four years) and

additional reviews include mail reviews at 12, 40, 60, 92, 116, 144, 168, 180 and 196 weeks, and a field review at 26, 78 and 128 weeks.

Mobility al/nit-mice recipients - are reviewed annually by mail.

Job search recipients - reviews are carried out by mail after around 12 weeks of payment, followed by an in-office interview for 40 per cent of clients. Those under 18 years of age are also subject to an annual office interview. Ten per cent of recipients with a higher than average risk of being incorrectly paid are subjected to a more intensive interview and review at the time they lodge their application to continue payment.

Newstart recipients -- reviews are carried out by office interview after each 12 months of payment. Ten per cent of clients involved in job search activities, who personally lodge their application to continue payments, are selected for intensive interview,

Family payments --- Additional Family Payment is subject to an annual review process which requires all claimants or recipients, except those already receiving a pension, benefit or allowance, to restate their income. Both Basic and Additional Family Payment are reviewed on an ad hoc basis in conjunction with other payments received.

Sole parent pensioners - are reviewed four, eight and 12 weeks after the pension is awarded and every 12 weeks thereafter. In addition, 70 per cent of sole parent pensioners are personally interviewed eight or 12 weeks after the award, depending on the likelihood of a change in their circumstances that would affect their rate of pension.

Carer pensioners - reviews are usually conducted at 12-month intervals, with the option to review selectively more frequently if a case warrants closer monitoring.

Special beneficiaries --- field reviews of special benefit recipients are carried out after 36 or 49 weeks on benefit (depending on the reason for the award of benefit) and annually thereafter.

In addition to administrative reviews, recipients are required to report a wide range of changes in circumstances which might affect their benefit entitlement.

Methods of payment. Over 95 per cent of DSS payments are made by direct credit to clients' accounts held at banks and other financial institutions. Where other payment arrangements are made, these are usually for the convenience of the client, for example in cases where there is little or no access to the usual banking services. The DVA adopts three different types of methods to pay pensioner's fortnightly pension instalments: by direct credit to an account with a financial institution, by cheque to an individual; or by group cheque (group schedule) to an institution such as a nursing home. Direct credit is the Government's preferred payment method and cheques are paid in only a very small percentage of cases. However, clients do have a choice.

Recovery: Debts arising under the Social Security Act 1991 or the Veterans' Entitlements Act 1986 (that is, overpayments arising from misrepresentation or failure to comply with recipient obligations) may be recovered from a DSS payment. The DSS may also recover overpayments made under the Seamen's War Pensions and Allowances Act 1940, the Child Support Act 1988, the Austudy Scheme and a range of other educational maintenance schemes. Under Australia's social security legislation, not all overpayments caused by administrative error are recoverable. The principal categories which are recoverable are those where the client lacked or has lost basic qualification for the payment - this is usually a question of objective fact; those involving dual payment to a client for the same period of entitlement; and those resulting from a change to a person's assessed or estimated income for a previous period. Overpayments caused by administrative error which are not recoverable would fall mainly into the following categories:

those which occur as a result of incorrect application of income and assets tests; and those which occur through failure to correctly apply a prerequisite for payment (such as a deferment or waiting period).

The principal methods of recovery for overpayments of any type are deduction from regular payments (where the client has a continuing entitlement to assistance), attachment of wages or salary under a specific statutory provision, agreed repayment arrangements involving regular repayments by cash, repayment card, cheque or (from 24 October 1994) by bank account deductions, and legal proceedings. There are also provisions within the social security legislation allowing debts resulting from overpayments to be waived or written-off. Waiver foregoes permanently the right to recovery. Write-off is an accounting procedure which allows recovery to resume at a later stage (for example, where a debtor's financial circumstances improve). Where an overpayment is the result of a client making false representations or relevant omissions, criminal proceedings can be initiated.

Recovery of overpayments can normally only be made from the person who owes the debt. In some cases, «-here a court has held that more than one person was responsible for and benefited from an overpayment, those people are jointly liable for repayment. Legislation also allows a person in receipt of assistance to authorise the Department of Social Security to withhold amounts from their payments to repay the debt of another person. However, these arrangements are entirely voluntary and the person having amounts withheld can withdraw their consent at any time. Overpayments cannot be recovered from an ex-partner, except under the consent arrangements mentioned above, unless they are jointly liable for the debt. Overpayments can be recovered from the estate of a claimant who has died. This may occur either where a debtor dies before an existing overpayment has been fully recovered or where a payment is incorrectly continued after a client's death. Where there is no estate or the estate is insufficient to allow recovery of the debt, it is written off as irrecoverable.

Deductions from benefit and direct payments: At the request of either the claimant or the Commissioner for Taxation, deductions can be made from social security payments for tax owed. At the request of claimants. Additional Family Payment may be paid directly to approved Aboriginal boarding schools. The only other situation where deductions may be made is under the explicit authority of a client to pay money to a State Housing Authority for continuing rent or mortgage payments. A contribution towards payments for a nursing home can be automatically deducted from DVA pensions.

Fraud: The Department of Social Security has a comprehensive risk management strategy to minimise the potential for incorrect payment and fraud through a variety of review processes. Although this strategy is aimed mainly at minimising overpayments, underpayments can also be detected and may result in an increase in the client's benefit. The risk management strategy focuses on three objectives: prevention, detection and deterrence. Before an award is made, proof of identity and verification of key facts relevant to eligibility must be established. 'Front door' reviews are held which check new client details against information held by the Department before any payments are made. These processes are intended to prevent dual payments to clients, to detect incorrect dependant details and to identify outstanding debts owed to the Department. Extensive data-matching is also carried out under the Data-Matching Programme (Assistance and Tax) Act 1990. This programme identifies client information affecting entitlement which has not been disclosed. It covers information relating to identity, payments from other government agencies and undisclosed income. The Department also conducts other data-matching projects with a variety of external agencies, covering information related to undisclosed income from employment or investments and the detection of changes in clients' circumstances which might affect eligibility for DSS payments.

Selective reviews are undertaken which target clients with characteristics known to have a high correlation with incorrect payment. This targeting is done by the use of risk algorithms generated from statistical analysis of client characteristics and random sampling of client populations. The algorithms are continually refined in response to the outcomes of review activity and to emerging risk areas. Clients selected for such reviews are normally visited at home by Departmental field staff.

To obtain a social security payment in Australia people must satisfy proof of identity (POI) requirements. In addition to providing POI, most people are required to provide a tax file number for themselves and their partner. When initially claiming for service pension, the applicant needs to provide a valid tax file number and produce proof of identity, and, for veterans, qualifying service. The service pensioner must show a DVA treatment card or pharmaceutical benefits card to the local health provider or pharmacy to receive treatment and pharmaceuticals. A pensioner concession card issued by the Department identifies the client as a service pensioner for the purposes of claiming concessions from a variety of authorities, including the transport authority, the local council and the motor vehicle registry.

Appeals and scrutiny of administration: The current review and appeals system has several tiers. These include: rights to a full explanation of the decision by the original decision-maker (internal); review of the decision by an Authorised Review Officer (internal); appeal to the Social Security Appeals Tribunal (external); appeal to the Administrative Appeals Tribunal (external); and appeal on a point of law to the Federal Court, Full Federal Court and High Court (external). There are no application fees or requirements for legal representation at any of the first four levels. The cost to clients making use of this system is minimal.

Administration and delivery of benefits are also scrutinised by a number of external bodies. The Commonwealth Ombudsman investigates complaints about the conduct of Commonwealth Government Departments, including the Department of Social Security. A person dissatisfied with the actions or decision of the Department may lodge a complaint with the Ombudsman. The Ombudsman normally expects complainants to have first gone through the Department (in cases concerning delay, discourteous behaviour or wrong advice) and to both the Department and the Social Security Appeals Tribunal (in cases concerning the decision itself). The Ombudsman will make recommendations to correct any wrong conduct found to have occurred. The Department does not have to implement these recommendations, but the Ombudsman may inform the Prime Minister and the Commonwealth Parliament of non-implementation.

In addition to action which may be taken under the Department's review and appeals process, a person aggrieved by a decision of an administrative nature is entitled to obtain the reasons for the decision and apply to the Federal Court for a review. A failure or refusal to make a decision is also reviewable by the Federal Court. Decisions may be reviewed by the Federal Court under this power on a number of grounds, including that procedures required by law were not observed, that there was no evidence or other material to justify the decision, or that discretion was exercised without regard to the merits of a particular case. Further scrutiny comes through the Senate Estimates Committee (administrative costs), the Auditor General (procedures and legislation), the Privacy Commissioner (breaches of the Privacy Act), and under the Freedom of Information Act (community's right to access information in the possession of the Commonwealth).

The role of non-governmental organisations in social assistance

Various non-government agencies provide emergency relief and receive government funding to assist them in this work (for example, supply of food, clothing and furniture, or cash assistance). The Veterans' Advice Network (VAN) provides information and referral services and works with local communities, providing information, education, advocacy and a community development focus. The

Department also provides one-off seeding grants for the establishment of new projects such as providing transport, domestic help, home maintenance, gardening and social activities.

2.4 Housing assistance

There are two main forms of assistance with housing costs. Rent Assistance (RA) is a non-taxable cash supplementary payment to DSS and DVA clients who rent accommodation in the private rental market. Since 1 January 1995, students in receipt of the homeless rate of Austudy or Abstudy have also been eligible for rent assistance. The payment is available to all recipients of pensions, benefits, allowances and family payments who pay rent above minimum threshold levels, and is provided at the rate of 75 cents for each dollar by which rent exceeds these thresholds up to specified maximum rates of assistance. Both the rent thresholds and the maximum rates of assistance are indexed twice a year and vary by both family type and the presence and number of children.

At March 1994, the rent thresholds were:

- A\$30.40 per week for single people without children (around US\$23 or £14)
- A\$40.50 per week for sole parents
- A\$50.70 per week for couples without children, and
- A\$60.80 per week for couples with children.

The maximum rates of Rent Assistance were:

- A\$34 per week for single recipients without children (L 5826 or fib)
- A\$32 per week for partnered recipients without children
- A\$37.40 per week for recipients with 1 or 2 children, and
- A\$42.60 per week for recipients with 3 or more children.

Rent Assistance is income- and assets-tested within the general provisions of the social security system. This assistance is the final component of a recipient's entitlement to be subject to the income test, so private income is not taken into account either in relation to the rent threshold or the level of RA payable until all entitlement to the basic pension or benefit has been exhausted. An additional income test for rent assistance existed until 1987, when it was removed to assist in the reduction of poverty traps. At the time of its introduction in 1958, Rent Assistance was available only to single pensioners, but its coverage has been progressively extended, particularly during the 1980s. It is payable to social security recipients who rent privately or pay board and lodging. Tenants of Commonwealth, State or Territory housing authorities ceased to be eligible for rent assistance in 1982. Rent assistance is not available to assist with the mortgage repayments of people buying their own homes.

The Commonwealth Government also provides financial subsidies to State governments under the Commonwealth-State Housing Agreement (OSHA). State governments are responsible for administering public rental housing. In general, public housing is available at market rents, but governments administer a variety of income-related rent rebates, so that rent paid is restricted to between 20 and 25 per cent of tenants' income or below. These arrangements mean that social security recipients receive different levels of help with housing costs, and incomes after housing costs may vary substantially. For example, in 1988 among all income units (of all ages) whose principal source of income was cash benefits, owner-occupiers paid about six per cent of their net income on housing, whereas public tenants paid about 21 per cent and private tenants 43 per cent (Whiteford, 1991b).

At June 1994, 976,000 recipients of pensions, benefits, allowances and family payments also received Rent Assistance. Figures on receipt of housing assistance by students and recipients of pensions from the Department of Veterans' Affairs were not available.

Some State governments also operate a range of subsidies for low-income home buyers, but these are not large and are not directed towards social security recipients *per se*.

2.5 Trends in expenditure on social assistance

The difficulties discussed above in defining what is social assistance in Australia arise again when considering expenditure. Information supplied by the Australian DSS distinguishes family payments, Mobility Allowance, Child Disability Allowance and various other non-income-related benefits as not being social assistance, and they are therefore not included in Table 2.3 below. Their importance is, however, indicated by the column showing the proportion of total spending made up by social assistance as defined by the DSS. The table also shows the trends in expenditure by the DSS and DVA on benefits only. Administrative costs are not included.

Table 2.3: Expenditure on social assistance 1981/2 to 1992.3. AS Billions (annual prices)

| Year | DSS | Percentage of total DSS social security | DVA | Total |
|---------|------|---|-----|-------|
| 1981/2 | 8.4 | 88.4 | 0.8 | 9.2 |
| 1982/3 | 10.1 | 87.5 | 1.1 | 11.2 |
| 1983/4 | 11.7 | 87.8 | 1.3 | 13.0 |
| 1984/5 | 12.8 | 88.8 | 1.5 | 14.3 |
| 1985/6 | 13.4 | 89.2 | 1.7 | 15.1 |
| 1986/7 | 14.6 | 90.8 | 1.8 | 16.4 |
| 1987/8 | 15.8 | 90.7 | 3.0 | 18.8 |
| 1988/9 | 16.6 | 90.3 | 2.1 | 18.7 |
| 1989/90 | 17.7 | 88.1 | 2.2 | 19.9 |
| 1990/1 | 21.2 | 89.2 | 2.4 | 23.6 |
| 1991.2 | 24.6 | 88.6 | 2.4 | 27.1 |
| 1992.3 | 26.0 | 85.7 | 2.4 | 28.4 |

Note: Purchasing power parities for 1992: AS1 = JSSO.75 and £0.46

Source: Australian Department of Social Security, 1994

The total administrative costs to the DSS of providing social assistance in 1992-93, as opposed to total social security, were A\$796.9 million, including salaries, or three per cent of benefit expenditure. DVA costs were A\$24 million, or just under nine per cent of benefit expenditure.

2.6 Trends in claimant numbers

Tables 2.4 and 2.5 show the numbers of recipients of the main pensions and allowances since 1982. Over this period there have been substantial increases in the number of people receiving Disability Pension and Sole Parent Pension. For the latter in particular, part of this increase relates to the new structure of the pension since 1988, but it also reflects the growth which can be observed internationally in the numbers of lone parents and those in receipt of disability benefits. The number of dependent children in pensioner families has also risen substantially, mainly because of the two areas of growth already mentioned.

In 1992, women made up about 65 per cent of people receiving age pensions in their own right and about 28 per cent of those receiving disability pensions. Twenty per cent of sole parent pensioners were unmarried and a further 70 per cent were separated. The rest were either divorced or widowed.

Not included in the tables are the numbers of people receiving age or disability service pensions from the Department of Veterans' Affairs. In June 1994, recipients of the former totalled 353,000 and of the latter 156,200.

The number of people receiving unemployment allowances decreased during the 1980s, though not, as was mentioned earlier, at the same rate at which new jobs were created. However, the economic downturn since the end of the decade led to a substantial resurgence of unemployment which was reflected in the beneficiary figures. *Long-term* unemployment has fluctuated with the economic cycles, but in June 1992, 35 per cent of beneficiaries had been in receipt of an allowance for over one year, compared with 23 per cent in 1982 (Australian Department of Social Security, 1993). Estimates for 1993 also put long-term unemployment at 34.5 per cent of all unemployment, compared to an OECD average of 28.6 per cent (OECD, 1994a).

In June 1994, 1.825 million families received Basic Family Payments for 3.531 million children and a further 842,000 families received Additional Family Payments for 1.638 million children.

Table 2.4: Numbers of recipients of social security pensions, 1982-1992 (thousands)

| Year | Age Pension* | Invalid! Disability Support Pension | Widow's Pension | Supporting Parent! Sole Parent Pension | Total pensioner (including spouses) | Dependent children |
|------|--------------|-------------------------------------|-----------------|--|-------------------------------------|--------------------|
| 1982 | 1.395 | 271 | 164 | 124 | 1.963 | 286 |
| 1983 | 1.417 | 277 | 165 | 140 | 2.012 | 312 |
| 1984 | 1.383 | 308 | 163 | 154 | 2.021 | 342 |
| 1985 | 1.355 | 335 | 160 | 168 | 2.032 | 373 |
| 1986 | 1.349 | 357 | 156 | 177 | 2.052 | 391 |
| 1987 | 1.347 | 379 | 152 | 179 | 2.071 | 399 |
| 1988 | 1,354 | 389 | 144 | 182 | 2.082 | 410 |
| 1989 | 1,361 | 402 | 84 | 240 | 2.099 | 512 |
| 1990 | 1,368 | 413 | 79 | 249 | 2.122 | 496 |
| 1991 | 1.407 | 434 | 74 | 266 | 2.196 | |
| 1992 | 1.482 | 487 | 69 | 287 | 2.329 | 514 |

Excluding Class A widows who were transferred from 1989 to sole parent pension
Includes recipients of related Wife and Carer Pensions

Source: Australian Department of Social Security, 1993

Table-25 Numbers of recipients of the main benefits and allowances, at end June 1982-1992 (thousands)

| Year | Unemployment Benefit/ Job Search Allowance/ New Start Allowance | Sickness Benefit/ Allowance | Special Benefit | Total Beneficiaries |
|------|---|-----------------------------|-----------------|---------------------|
| 1982 | 391 | 54 | 16 | 461 |
| 1983 | 635 | 64 | 21 | 720 |
| 1984 | 585 | 62 | 18 | 665 |
| 1985 | 561 | 63 | 19 | 643 |
| 1986 | 570 | 65 | 19 | 654 |
| 1987 | 551 | 70 | 20 | 641 |
| 1988 | 475 | 75 | 23 | 573 |
| 1989 | 390 | 79 | 25 | 494 |
| 1990 | 420 | 79 | 28 | 527 |
| 1991 | 677 | 72 | 30 | 779 |
| 1992 | 852 | 44 | 35 | 901 |

Source: Australian Department of Social Security, 1993

Take-up

While take-up is an important issue in debates about means-testing in the United Kingdom, it has been *far* less salient in Australia, with virtually the only academic or official studies of take-up being related to means-tested supplements for working

families with children (Australian Department of Social Security, 1990; Whiteford and Doyle, 1991). The official responses to the questionnaire for this study provided estimates of coverage rather than take-up, noting for example, that there were an estimated 77 per cent of the population of pension age in receipt of an age or equivalent pension in June 1993. This figure takes no account of those who are ineligible because of their income or assets, however. The official response to the social assistance questionnaire goes on to note:

There are no available data on the above in relation to unemployment payments. However_ it can be assumed that take-up for those who qualify for full entitlement would be high while take-up by those who qualify only for small amounts of payment entitlement would be considerably less given the activity test requirements. Take-up of basic Family Payment is estimated as 100 per cent of those eligible. Additional Family Payment take-up is estimated at 75 per cent. Sole Parent Pension is estimated at 81 per cent based on DSS client populations in June 1993 and total sole parents with youngest child under 16 as recorded in the Australian Bureau of Statistics Labour Force Survey for June 1993.
(Australian DSS, 1994)

It is apparent that some of these statements are based on assumptions, while others refer to coverage (for example of Sole Parents Pension). To estimate take-up would be difficult, since there are no data available that combine information on income and assets. Similarly, there is very limited ability to estimate take-up of Disability Support Pension and Sickness Allowance, since there is no independent data source on the incomes of those experiencing invalidity or sickness. The DVA estimated take-up of benefits in June 1994 as 89.1 per cent for service pensioners and 29.9 per cent for disability pensioners. but the basis for these estimates is not clear.

It seems plausible that the apparent lack of concern in Australia with take-up of basic payments such as the age pension reflects the less problematic nature of take-up in a social security system where there are only means-tested benefits. Research in the U.K. (Fry and Stark. 1991; Marsh and McKay. 1993) has shown that it is usually small entitlements that are not taken up. For retired people in the UK, the likelihood of there being many people with low entitlements to means-tested benefits is greater because the contributory state pension is now set below the level of Income Support. In Australia there are no contributory benefits, so an individual who does not claim a pension potentially forgoes a very large entitlement, while those with very small entitlements to pension will have very much higher private incomes. This point can be illustrated by considering the circumstances of an individual receiving the full state pension in the UK of £54.15 in June 1992, but who did not claim their additional entitlement of Income Support of £3 per week, thus going without an addition of 5.5 per cent of their income. In contrast, a single person in Australia who had a private income of £54.15 per week and did not claim an age pension would be forgoing an entitlement of £57.42 per week, or more than enough to double their income. Alternatively, someone with an entitlement to age pension of only £3 per week in Australia would have a private income of £162.98 per week, and would be going without a potential addition of 1.8 per cent to their disposable income. These results simply reflect the more relaxed income test on pensions, when compared to Income Support in the United Kingdom.

2.7 Policy issues

The effects of social security reform

In the mid-1980s the Government undertook a major social security reform. In December 1985 the Minister for Social Security set up a Social Security Review, to be chaired by an independent academic, Professor Bettina Cass. and supported by the Department of Social Security. The objectives of the Review were to provide a longer term perspective on priorities for the Australian social security system, and to identify steps that could be taken in the shorter term to improve its effectiveness.

The Review was limited to policies administered by the Department of Social Security, but as it was independently reporting to the Minister for Social Security, its proposals did not have to be considered by other government departments. Implementation of proposals went through the normal processes of government, but action was probably facilitated by the Minister for Social Security being a member of the Expenditure Review Committee (also the leader of the Left faction in the Parliamentary Labor Party and later Deputy Prime Minister).

The Social Security Review consulted widely and published a range of Background/Discussion Papers, as well as Issues Papers setting out approaches to reform. These Issues Papers covered assistance for families with children (Cass, 1986b), assistance for the older unemployed (Crompton, 1986), assistance for lone parents (Raymond, 1987), the unemployed (Cass, 1988), assistance for people with disabilities (Cass *et al.*, 1988), and retirement incomes (Foster, 1988). The recommendations of the Review influenced many subsequent policy decisions, although not all its proposals were implemented, and some changes went against the Review's proposals (Saunders and Whiteford, 1991).

Overall, the social security policies of the government since 1983 represent a compromise between improvements in the adequacy of payments and restrictions on eligibility. Table 2.6 shows some broad trends in the number of people receiving social security payments over the 1980s and in aggregate expenditures on social security payments. Between 1980 and 1984 there was an increase both in the number of recipients and in social security spending as a proportion of GDP. This was largely a consequence of the recession. This was followed by decline in these ratios up to 1990, particularly in the ratio of recipients to the labour force, mainly because of the decline in unemployment. Between 1990 and 1991 and again in 1992, there was a recession-related increase in social security spending and in the number of beneficiaries. Social security spending in 1993 was at a peak of 8.5 per cent of GDP (Table 2.6).

Table 2.6: Trends in the social security system, 1975 to 1993*

| | 1975 | 1980 | 1982 | 1984 | 1988 | 1990 | 1991 | 1992 | 1993 |
|---|------|------|------|------|------|------|------|-------|-------|
| Pensioners and Beneficiaries as a percentage of the total population ** | 13.3 | 17.7 | 18.7 | 20.8 | 19.5 | 18.7 | 20.6 | na | rua |
| Pensioners and Beneficiaries per 100 persons in the Labour Force** | 30.2 | 39.0 | 41.4 | 45.5 | 40.6 | 37.8 | 42.1 | n,a | n/a |
| Dependent children of Pensioners and Beneficiaries as percentage of the population under 16 | 7.8 | 12.3 | 14.6 | 17.8 | 18.0 | 17.5 | 20.9 | n/a | a |
| Expenditure on social security as percentage of: | | | | | | | | | |
| GDP | 5.6 | 7.2 | 7.4 | 7.4 | 6.0 | 5.7 | 6.5 | 8.2e | 8.5e |
| Cwealth Budget outlays | 19.4 | 27.7 | 27.6 | 24.8 | 23.0 | 24.1 | 25.7 | 30.8e | 31.6e |

Notes: Numbers of recipients are at 30 June each year and expenditures are for the year ending 30 June
 * includes spouses of beneficiaries and pensioners
 e: Estimated from 1992-93 Budget Statements

Source: Cass and Freeland, 1992

While the trends in Table 2.6 are partly a consequence of the improvements in employment and reductions in unemployment, they also result from a range of

^h These figures include payments made by the Department of Veterans Affairs

measures designed to reduce eligibility to social security payments and to tighten administration. The initiatives of the government in this regard were very wide-ranging, and only some of the most important can be mentioned (see Saunders and Whiteford, 1991 and Bradbury and Doyle, 1992 for a detailed discussion).

It can be roughly estimated that expenditure by the Department of Social Security would have been about A\$1,400 million or six per cent higher in 1990-91 if not for a combination of tightened income and assets tests, increased surveillance of social security beneficiaries and reductions in eligibility. Of this total saving, about 45 per cent was the result of the introduction of a special income test on age pensioners who had previously received a universal pension when they were 70 years or over, the imposition of an assets test on pensions, and an income and assets test on family allowances. That is, these savings were achieved at the expense of relatively well-off older persons and families.

A further 35 per cent of this total saving was achieved by increased administrative surveillance of social security recipients, mainly the unemployed, but including other groups as well. For example, in 1988-89 there were more than one million people whose social security entitlements were reviewed, and of these about eight per cent had their payments cancelled and eight per cent had payments reduced, while seven per cent had their payments increased (Saunders and Whiteford, 1991, p.142). The remaining savings in the social security budget were made by tightening eligibility for payments in various ways: for example, by withdrawing entitlement to family allowances in respect of children aged 18 to 24 years in families not receiving pensions or benefits, by increasing the waiting period for unemployment benefits, and by deferring eligibility for unemployment benefit until annual leave entitlements were exhausted.

In addition, the Government adopted the policy of targeting additional resources to those 'in need', by selective increases in payment rates for those with children and those renting privately. Table 2.7 shows real changes in benefit levels between 1983 and 1992. Figures of this sort are affected by the fact that there is a lag between the indexation increase and the period taken into account in the indexation formula. This means that because inflation has generally been declining over this period, the increase in social security payments is somewhat greater than the exact contemporaneous inflation rate.

Table 2.7: Real changes in social security benefits for different benefit unit types, 1983 to 1992*

| | |
|---|------------|
| Pensions | |
| Standard rate | +5.5 |
| Couples | +5.5 |
| Job Search Allowance/Unemployment Benefit | |
| 16-17 years | -6.8 |
| 18-20 years | -6.1 |
| 21 years or over | +30.1 |
| Sickness Benefit | |
| 16-17 years | -6.8 |
| 18-20 years | -17.4 |
| 21 years or over | +1.3 |
| Pensioner/beneficiary couples | |
| No children | +5.5 |
| 1 child | +14.8-19.7 |
| 2 children | +17.2-25.9 |
| 4 children | +20.0/34.2 |
| Lone parents | |
| 1 child | +14.9-21.9 |
| 2 children | +18.2-30.1 |

Notes: Real changes in rates between May 1983 and May 1992 using the Consumer Price Index (all items). The range given for families with children reflects higher increases for those with children aged 13 years or over

Source: Authors' estimates

Table 2.7 shows that there have been modest real increases in basic pension payments since 1983, but very substantial real increases for pensioners and beneficiaries with children. These increases *were* largely a consequence of the Government's strategy to reduce child poverty. As *part* of this strategy there was also a very substantial relaxation of the income test applying to the Family Allowance Supplement, which replaced the previous FIS scheme. The number of children in families receiving this assistance increased from 93,000 in 1987 to 456,000 in 1991, or from around two per cent of all children under 16 to around 12 per cent of all children.

On the other hand, real payment levels for young unemployment and sickness beneficiaries have fallen in real terms. The larger fall for sickness beneficiaries results from an alignment of their rates of assistance with benefits for the unemployed, where previously sickness beneficiaries had received assistance comparable to that given to pensioners. The fall in payments for the young unemployed is largely a consequence of the alignment of their rates of assistance with payments for secondary and tertiary students, who received a large real increase in assistance.

2.8 Recent and forthcoming changes

Many of these changes have been mentioned above. This section summarises the key changes to the Australian social assistance scheme in recent years.

Age Pension: The most significant change that has taken place recently is the plan to raise the age pension eligibility age for women from 60 to 65. This initiative was announced in the 1993-94 Budget, in light of women's increasing participation in the labour market and in superannuation. This change will be phased in gradually between 1995 and 2104. Also, a review of the pension income and assets tests (*Targeting for Equity*) was undertaken by an independent consultant and reported to Government in December 1994. The aim was to find ways to simplify the system while remaining consistent with the Government's retirement incomes policy. As a result of the review, it is possible that further changes may occur to the retirement incomes system in the future.

There have also been significant developments in the area of occupational superannuation, where coverage has expanded from 46 per cent of employees in 1985 to 79 per cent in 1991. This was achieved within the framework of Australia's centralised wage-fixing system. Since July 1992 it has been compulsory for employers to make superannuation contributions for virtually all their employees. Contribution rates are currently around five per cent and will rise to nine per cent by 2002³. As this scheme matures it will have very significant implications for the incomes of the retired and also for their entitlements to age pensions.

Disability Support Pension: This replaced Invalid Pension in November 1991. Invalid Pension was payable to people who were permanently at least 85 per cent incapacitated for work. Disability Support Pension is payable to people with a 20 per cent impairment level, measured by impairment tables, and an incapacity expected to last at least two years. Youth rates were introduced at the same time.

Sickness Allowance. This replaced Sickness Benefit in November 1991. The main change was the introduction of a 12-month time limit, and transfer of the long-term incapacitated to Disability Support Pension.

Unemployment Allowances: During the 1980s, a review of the income support system recommended that it should be more closely integrated with other social services. As a result the system was restructured to incorporate the concept of the 'active society', with a sharper focus on helping unemployed people enter or return to the workforce rather than to continue their dependence on assistance. As part of this reform, the 'work test' was abolished in favour of the 'activity test' which allowed a client to undertake a limited range of *other* activities in addition to full-

time job search. In 1991, the one generic allowance paid to all unemployed people was abolished and replaced with the two-tiered Job Search and Newstart Allowances.

The appropriateness of the income support structure is subject to ongoing examination, and most recently its integration with changes in the labour market has been questioned. In the last few years there has been a marked increase in part-time work opportunities, labour force participation of married women, and a reduction in the gap between the rate of income support and award wages. Changes to the income test have been proposed to improve incentives for people to take up part-time and casual work and encourage dual workforce participation amongst couples. Strategies intended to increase the gap between award wages and income support have also been proposed.

In 1993, the Prime Minister appointed a Committee on Employment Opportunities to assist the Government to develop an effective response to the question of restoring full employment. The Committee released a discussion paper (Green Paper) in December 1993 and the Government responded with a White Paper in May 1994. The plans announced included the new income support disregard system and the partial individualisation of the income test for couples, described above. Also, from March 1995 unemployed people will have access to lump-sum advance payments of benefit for approved employment-related purposes. These will be up to A\$500 for people unemployed for three months and up to A\$1,000 for those in or facing longer-term unemployment. People developing self-employed and co-operative enterprises will also be able to retain benefit for the first 12 months of work. Restrictions are to be removed for some claimants on the levels and types of voluntary work which can be undertaken while receiving benefits.

Housing assistance: The maximum rates of Rent Assistance rates increased in real terms between March 1993 and September 1994 by 138.9 per cent for families with three or more children, by 109.2 per cent for families with one or two children, by 90.5 per cent for single recipients without children and by 79.5 for couples without children. These increases are protected from inflation as the rates have been indexed twice yearly since March 1991. From March 1993 a new structure of increased rates and variable rent thresholds targeted Rent Assistance to private renters with housing affordability problems.

Family Assistance: Since 1983 there have been substantial increases in family payments. A low-income supplement (subsequently called Family Allowance Supplement) was introduced for working families with children in May 1983. Benchmarks of adequacy for child payments set in 1987 were achieved in 1989. A more generous income test for FAS increased the cutout threshold from 56 per cent of average weekly earnings in June 1983 to 65 per cent at September 1993. The combination of this and other measures to encourage take-up by eligible families meant that the number receiving the supplement grew from 17,834 families in 1983 to 278,499 by December 1992. The family payment system was rationalised and integrated in January 1993. Family Allowance became Basic Family Payment, while FAS and additional pension allowance benefit became Additional Family Payment. All family payments are now paid to the primary carer (usually the mother).

The Child Support Scheme was introduced to improve financial support for children of separated parents by ensuring that non-custodial parents contribute according to their capacity to pay. The Child Support Agency was established in June 1988 and an administrative formula was introduced in October 1989 to determine the amount payable in proportion to the non-custodial parent's income. The Jobs, Education and Training (JET) Programme, introduced in March 1989, aims to assist sole parent pensioners' entry or re-entry into the workforce by increasing their access to career counselling, child care, education, training and employment opportunities. JET was extended to widow pensioners and lone

parents receiving Special Benefit in *March* 1993 and to carer pensioners in July 1993.

From September 1994, a Home Child Care Allowance of AS60 per fortnight has been paid directly to full-time carers of children in the home. Future reforms to family assistance are likely to be aimed at further reducing the obstacles that primary child carers face in participating in the workforce, while recognising the contribution they make by carin^g for children at home.

2.9 Overall performance

The Australian social security system has a number of notable strengths. though an assessment of its strengths and limitations depends on judgments about the underlying objectives of social security provision. In common with the New Zealand system, but in contrast to the systems in virtually all other developed countries, there are no explicit social insurance features at all. (Although the relaxed means tests on social security in Australia mean that assistance extends relatively far up the income distribution, and has the effect of a quasi-insurance system). It follows that, while the Australian social security system may be *judged* to perform well in relation to its poverty alleviation objective, it performs less well in relation to income maintenance, although this is not an explicit objective of the system.

The major strengths include:

- Relatively generous benefit levels when measured in absolute and relative terms. As noted in Volume One, overall Australian benefit levels are 39 per cent above the OECD average and are ranked eighth highest before housing costs. This is despite the fact that the level of national income is only four per cent above the OECD average and Australia is ranked 16th in the OECD in terms of national income
- Comprehensive coverage in terms of the contingencies covered
- Ⓜ A well-established system of rights to appeal in respect of all types of benefits
- A high degree of uniformity in levels and conditions of payments, which relative to other systems also offers greater equality of treatment between men and women and for immigrants
- One of the greatest strengths of the system is its flexibility and its ability to be restructured in response to changing economic and social circumstances. Over the 1980s, the Australian system has been subject to a very wide range of reform initiatives that have both targeted benefits more closely and increased the level of benefits substantially. The reforms associated with the recent White Paper on Employment are particularly imaginative, and it is notable that substantial extensions of assistance have occurred at a time when many other welfare states are under pressure to reduce spending. Because the system is income-related but imposes lower marginal tax rates than most other social assistance systems, benefits will 'automatically' adjust to changing levels of private income held by recipient groups. One example is the increase in the level of occupational pensions that will flow from the introduction of the superannuation guarantee. This also suggests that the system may be better able to adjust to the challenge of demographic ageing in the future than will systems with entrenched 'rights'.

Not surprisingly, the system also has a number of limitations.

- Ⓜ The extent of poverty is widely debated and it is common to view Australia as a residual welfare state with meagre benefits. Much of the Australian debate has been influenced by the academic literature from Britain with the view that means testing is stigmatising and produces low

levels of benefits. While the evidence in this study suggests that this view is mistaken (in the Australian case), there are areas where benefits are less adequate and are associated with hardship. The results in Chapter 6 of Volume I show that lone parents in Australia are less well placed than other family types and could therefore be expected to suffer relative disadvantage. One of the major factors associated with problems of managing on benefits is the level of housing costs. Persons with high private rents, particularly in Sydney, face much greater difficulties than those in other areas, and there is probably a good deal of variation in living standards by housing tenure and location. There is very limited information in the area of costs associated with disability, and it is possible that some persons with extra costs in this regard also face considerable difficulties.

- Very little is known about take-up of benefits. It is not clear whether take-up is a problem in Australia or not.
- The Australian system of social security could be argued to be implicated in some of the underlying economic problems of the country. The Australian tax-transfer system is notable for its high degree of nominal progressivity, but the family home is excluded from the assets and from most taxation. Thus, there is probably an over-investment in owner-occupied housing in Australia, which together with the lack of a substantial earnings-related public pension system means that the level of aggregate savings is quite low, and is associated with recurrent problems with the current account deficit. Boosting the level of national savings is seen as a major economic priority.
- Because the transfer system is highly targeted, universal programmes lack legitimacy in political debate. Thus, the system of family allowances is now means-tested and there have been calls for means testing of the new system of child-care cash allowances. While universal family payments have a strong rationale in terms of horizontal equity, they are vulnerable to retrenchment. This has been associated with an increase in the complexity of family assistance, although it is likely that there are gaps in coverage. Thus there is a two-tier means-tested system of cash payments for children, with two separate systems of means test, a non-means-tested child-care allowance (in addition to the income-related fee relief) and a payment for mothers at home that is income-tested on the carer's income rather than the family income. Clearly, this system could be simplified, but to do so sensibly would probably entail some *form* of universalism, which is unlikely to be adopted.
- To some extent, there is a financing problem, reflecting the progressivity of the social security and tax systems. As noted, the Australian tax system has a high level of nominal progressivity, with the top marginal tax rate (of 47 per cent) cutting in only a little above average earnings. While the tax scale is not indexed to inflation, inflation is currently at a low level. The Australian Government in 1985, and the electorate in 1993, rejected proposals for the introduction of a general consumption tax, so that Australia is now the only OECD country without some form of VAT. There are also no social security contributions. Thus, when it is necessary to raise additional revenue, as it is at the moment, there is little option but to raise taxes, which are visible and politically sensitive. The alternative is to reduce expenditure, but the social security system is highly targeted, so it is difficult to do so without disadvantaging the less well-off. Thus, there are ongoing tensions between *the* desire to continue to improve social protection mechanisms and the need to avoid causing a political backlash. Moreover, because the social security system is targeted, the middle class who would be required to pay higher taxes would not necessarily benefit from increased public spending, exacerbating the likelihood of a backlash.

Chapter 3 Austria

3.1. Background

Demography

Austria had an estimated population in January 1994 of just over eight million (Eurostat, 1994a). During the 1980s and early 1990s population growth remained slow compared to other European or OECD countries. Following what is almost a Europe-wide trend, Austria has a low death rate matched by an equally low birth rate. The fertility rate in 1993 was 1.55 -- marginally above the average for the European Union (EU), but the lowest among the four European Economic Area countries which were candidates for entry into the EU in 1995 (all of these except Norway have now voted to join the Union). The population increase during 1993 was, nevertheless, higher than many European countries because of a relatively high net level of immigration, much of which was from the former Yugoslavia, Eastern Europe and Turkey. Compared to other EU and OECD countries, Austria has a demographic structure which is already somewhat biased towards older people, but projections have suggested that should the present patterns of population growth continue, the country will see a further substantial fall in the support ratio[†] over the next 20 years (OECD, 1993a)_

Both marriage and divorce rates are marginally above the EU average. and in 1993 an estimated 26 per cent of births were outside marriage, compared to a European Economic Area average of 21 per cent (Eurostat, 1994a). Recent comparative data on lone parenthood are hard to come by because of different definitions, but in 1990 an estimated 13 per cent of families with children were headed by a lone mother (OECD, 1993b)_ Lone mothers were mainly unmarried (50 per cent) or divorced (33 per cent).

Employment and the economy

The Austrian economy performed relatively well during the recession of the early 1990s, as it benefited from new trading opportunities with the re-unified Germany and the transitional economies of Eastern Europe. Although unemployment, and particularly long-term unemployment, has been on the increase in recent years. Austria has suffered less than most other European countries. In 1993 the standardised unemployment rate stood at only 4.2 per cent of the total labour force, compared to an OECD average of 7.8 per cent (OECD, 1994a). The overall participation rate in 1991 was 68 per cent. with 81 per cent for men and 56 per cent for women (OECD, 1993c). The proportion of women working has increased since the early 1980s, but only very gradually.

The maintenance of the strong tradition of apprenticeship schemes has also helped. as in Germany, to keep youth unemployment at a low in comparison with other OECD countries. In the late 1970s it stood at below one per cent less than one-tenth of the OECD average (Katzenstein, 1984). Although youth unemployment rose during the 1980s, it was estimated as still only 4.7 per cent in 1992, compared with an OECD average of 15.1 *per cent* (OECD, 1994a). What has been more problematic has been the increasing level of long-term unemployment. According to the OECD Jobs Study, the percentage of people unemployed continuously for one year or more reached just under 17 per cent of all unemployment in 1992. The

† Defined as the proportion of people of working age divided by those over retirement age.

groups most vulnerable to long-term unemployment are women, people aged over 50 years and service sector workers.

The economy has escaped major inflationary pressures in recent years, with prices remaining relatively stable at an average increase of 2.2 per cent per year from 1988-1993. *Per capita* income has also been catching up with that of the richer OECD nations as the country becomes more integrated into the international economy. However, heavy government borrowing in the early 1980s resulted in a sharp increase in public debt. This led to a debt reduction strategy which has so far relied more on increased taxation than major cuts in public spending programmes, though reductions are currently under discussion. The gross public debt was estimated as around 55 per cent of GDP in 1992, close to the OECD average.

Political framework

Austria has a federal political system, based on nine Provinces (Länder), though major policy decisions are still made by central government. Until recently Austria belonged to a group of countries with very stable or static party systems. Since the 1980s, however, there has been growing electoral volatility and party fragmentation (Urwin and Patterson, 1990). In 1994 the ruling coalition in the Federal Parliament was led by the centre-left Social Democrat Party and included the conservative People's Party, with the main opposition coming from the right-wing 'Freedom Party', whose support increased substantially in recent elections.

3.2 The social security system

The development of the Austrian social security system was strongly influenced by the German model established in the 1880s, based primarily on maintenance of workers' status through earnings-related social insurance. Contributory benefits include retirement and invalidity pensions, survivors' pensions, health, maternity and birth allowances, benefits for long-term care and unemployment benefits. In addition there are national non-contributory family allowances, with extra bonuses and tax credits for families with only one earner and lone parents. Since the structure of retirement pensions and unemployment insurance is particularly relevant for an understanding of the role of social assistance these benefits are now briefly described.

Retirement pensions

Most employed and self-employed persons are covered by the national pension scheme, which, for employees, is based on contributions of 10.25 per cent of gross wages over a lower earnings limit (AS 36,000 in 1994) and 12.55 per cent from employers. Self-employed people contribute between 12.5 and 20 per cent of earnings depending on the type of occupation. A minimum of 180 months contributions are required (or 60 months for invalidity and survivors' pensions), but child care, maternity leave, military service and other similar activity can count towards contributory periods.

Pensions are based on the level of former earnings and the number of contributory months (*Versicherungsmonate*). An average is taken of income from the 180 highest-earning months, and pension is assessed as 1.9 per cent (or 1.5 per cent if there are more than 360 contribution months) of this average for every 12 *Versicherungsmonate*, up to a ceiling of 80 per cent of the average income figure. Pensions below a fixed minimum rate can be topped up by means-tested supplementary pensions (*Ausgleichswulage*), which are discussed in section 3.3.

In December 1993 a total of 1.772 million persons were receiving some form of pension, and the average monthly retirement pension was AS 9,971 (*Hauptverband der österreichischen Sozialversicherungsträger*, 1994). Men received, on average, AS 13,139 per month and women AS 7,479. The overall average monthly pension received was equivalent to approximately £432 or US\$688, using OECD purchasing power parities.

Unemployment insurance

The main insurance-based unemployment benefit (*Arbeitslosengeld*) is based, in 1994, on contributions of three per cent of gross wages from both employee and employer. First-time entitlement requires at least 52 weeks of insured employment during the previous 24 months: after that 20 weeks in the previous 12 months is sufficient. Entitlement lasts for a minimum of 20 weeks (or 30 weeks after three years of employment during the previous five years) and a maximum of 52 weeks. The maximum is available only to those aged over 50 years with at least nine years insured employment during the previous 15 years.

The amount of benefit is determined according to average income over the previous six months of employment. Generally it is around 58 per cent of that average net income. In addition, for each dependant without an income the claimant receives an extra allowance of around AS 670 per month in 1994. In 1992 the median monthly unemployment benefit paid was AS 8,200 (equivalent to approximately £355 or US\$ 573), but more than 45 per cent of unemployed women and over ten per cent of unemployed men received less than the single persons supplementary pension rate at that time (AS 6.500) (Ministry of Labour and Social Affairs, 1993).

When entitlement to unemployment benefit is exhausted, unemployed persons can claim the means-tested unemployment assistance (*Notstandhilfe*), which is described below.

3.3 Social assistance

Introduction

Means-tested assistance benefits in Austria take three main forms:

1. General Assistance (*Socialhilfe*)
2. Supplementary Pensions (*Ausgleichsaulage*)
3. Unemployment Assistance (*Notstandhilfe*)

Sozialhilfe is the scheme which comes closest to providing generalised help to any individual or household whose resources are insufficient for a minimum standard of living. However, national laws provide only an enabling framework, and both policy and administration are the responsibility of the Provinces.

Supplementary pensions provide a 'top-up' to pensioners' incomes if they fall below the minimum pension level, but to qualify for supplementation claimants must have a general pension entitlement. Supplementary pensions are administered by the same national insurance societies that deal with insurance-based retirement pensions.

Unemployment assistance is available on a means-tested basis, and *for a* limited period, to unemployed people whose entitlement to unemployment insurance has expired (after 5-12 months). It is administered by the national Labour Market Service, which since July 1994 has been a self-governing public corporation.

Policy objectives

The policy aim of the laws governing social assistance is to enable people in need to enjoy a decent life, but the main objective of assistance is to do this by providing recipients with the opportunity to help themselves to become independent. Means-tested social assistance plays only a minor role in poverty relief and absorbs only around four per cent of all social security expenditure (see below). The insurance-related benefits 'upstream' from social assistance are regarded as more efficient instruments in combating poverty, as well as being more socially acceptable (Steiner, 1994).

The following sections describe the structure of social assistance, concentrating on *Sozialhilfe*. Supplementary pensions and unemployment assistance are described in more detail later in the chapter. Unless otherwise stated, the benefit structures described are those in operation in April 1994.

Administrative and regulatory framework

Social assistance is the sole responsibility of the provinces, and both rules of eligibility and rates of payment vary between them. District authorities within the provinces have further discretionary powers. There are no uniform or agreed procedures except in specified cases such as the entitlements of refugees from the former Yugoslavia, where informal co-ordination has established some common practices. Adjudication of claims is highly discretionary and aimed at tailoring provision to the individual circumstances of claimants. Even where there are regulations or ordinances laid down by the provincial *Landtage* (or Parliaments), the rules tend to provide only a broad framework within which social welfare workers operate.

General conditions of entitlement

The minimum age for an independent claim for social assistance is 19 (also the age of majority). However, it is possible for a claim to be made on behalf of a younger person by a legal representative.

Entitlement depends on household resources being assessed as insufficient to meet the needs or special circumstances of an individual applicant. Applicants must be willing to work unless they fall into an exempt category.

Residence and nationality

Applicants for social assistance need to be able to demonstrate residence in the province to which they are applying, but no minimum period of residence is required. If claimants move out of their province, their claim generally expires and must be made again in the new province of residence under the local rules.

Four provinces (Carinthia, Lower Austria, Vorarlberg and Vienna) also require claimants to have Austrian nationality. However, nationals from countries with whom Austria has wider agreements (including, since the implementation of the European Economic Area treaty in January 1994, EU member states) may claim social assistance on the same grounds as Austrian citizens. This also applies to refugees recognised under the Geneva Convention. Until asylum is officially granted, refugees can receive some benefits from the federal government in accordance with a 1991 law on asylum seekers (the *Bundesbetreuungsgesetz*), though this does not cover social assistance. In practice, other non-Austrian citizens may also be granted social assistance in emergencies, but there is no legal entitlement. All these provisions are also subject to the general legal requirement covering all provinces that immigrants who cannot prove that they have sufficient means to support themselves are not entitled to remain in Austria. The distinction between citizens and non-citizens has remained sharp in Austria and foreign residents have had limited rights and little political representation (Urwin and Patterson, 1990).

Social assistance entitlement is not portable to any other country.

Duration of benefit entitlement

There is no fixed time limit for receiving social assistance. At the discretion of the provincial authorities it can be granted for a limited or an unlimited period of time. In practice, social assistance is normally only granted for an unlimited period of time when circumstances suggest that the need for support is likely to be indefinite. Such 'permanent recipients' (particularly elderly or disabled persons and lone mothers with small children) sometimes receive higher benefits. Other social

assistance recipients may also receive higher benefits if individual circumstances suggest greater need.

Availability for work and labour market policy

Willingness to work is one of the main conditions of entitlement for social assistance. Consequently, refusal to accept work offered can lead to partial or full loss of benefit. The exceptions (for which there are no precise regulations) are:

- mothers (and single fathers) with small children (under three years)
- disabled persons (due to illness or invalidity)
- persons over or near retirement age (at least 60 years old)
- young people for whom benefit has been awarded to pursue a vocational education.

In practice, lone parents may not be obliged to work when their children are over three if they cannot find suitable child care. Although there is a wide range of child care available from both the public, private and voluntary sectors, in many areas this has been insufficient for all those who want it (OECD, 1993b). Lone parents wishing to work would, however, tend to receive priority, and one of the forms of support available under social assistance includes help with finding child care.

There are no precise regulations specifying what constitutes sufficient work-seeking activity. Generally, registration with the Labour Market Service is regarded as adequate proof, although more detailed investigations may be made in individual cases. The provincial and district authorities responsible for social assistance also have the power to establish special employment projects, but participation is not compulsory. In practice such schemes are not common. However, if a claimant agrees to take part in a training or special employment scheme but fails to adhere to the agreement, this may be taken as an indication of unwillingness to work.

Apart from these there are very few specific integration or insertion arrangements, although in individual cases an award of social assistance may be made conditional on the recipient agreeing, for example, to participate in some form of treatment, such as drug rehabilitation or therapy. Such conditions are discretionary and are not the subject of regulations.

There are no limits on how many hours a recipient can be in employment as long as earnings and other non-exempt income do not exceed the benefit rates. In practice, this would normally only permit part-time work unless there are several dependants, or if housing costs are particularly high (see 3.4).

Self-employed persons can also claim social assistance subject to the usual requirements. As an optional benefit, loans for providing or restoring business capital may also be granted in individual cases (theoretically these could also be granted to employees).

The benefit unit

The benefit unit is the applicant, plus any dependants. This may include grandparents, grandchildren or any other relatives living in the household. Thus the unit is the household rather than the nuclear family. An application may be made by either partner in a couple.

A cohabiting couple, however, does not automatically count as a single benefit unit, since in law they do not have a duty of mutual financial support. One partner cannot claim for the other without authorisation and in some circumstances they might have to complete separate applications. Nevertheless, if in practice they constitute a shared economic unit, the resources of both are taken into account for the means test.

Unrelated adults sharing a household are in principle entitled to make independent claims for assistance. However, if there is some economic sharing then this is recognised in the assessment of benefit needs.

Social assistance may be claimed for all dependent children (natural, grand-, step-, fostered or adopted), and children are treated as dependent until they reach 'the capacity to support themselves' (as defined under Civil Law). Although there is no clearly defined age limit, this cannot be before the child's 15th birthday (which also constitutes the minimum school-leaving age).

Income and assets tests

The operation of the means test for *So-ialhifr* is both localised and discretionary, but in principle most forms of income and assets are normally taken into account, with the important exception of family allowance. There may be other exceptions in individual cases, but these vary from province to province. Net earnings, training allowances, investment income, income from sub-tenants and lodgers are always taken fully into account. In individual cases, work expenses similar to those allowed under tax law, such as for travel, tools, or work clothing, may be deducted from earnings before applying the means test. Children's income and child maintenance are only taken into account in calculating the child's needs (see examples below).

Social security benefits such as pensions and unemployment benefit are taken into account, as are foster care payments. Apart from family allowance, the only social security benefit disregarded is the long-term care benefit, where assistance has been awarded to cover all or part of the costs of care or social service support.

Some other private payments, such as those from charities, are not taken into account. Gifts could be counted as income if they are above a certain (unspecified) level and are realisable as cash (such as jewellery).

The value of an owner-occupied house is normally not taken into account if it is the claimant's main dwelling and is not too large for their needs. In other cases they might be expected to sell the house. Where a dwelling is not counted as an asset, the authorities are entitled to take an interest in the equity as security for assistance payments made. Other assets are also taken into account, with the exception of small savings (no fixed amounts), basic household and other items which are necessary for gainful employment. This might include a car if other forms of transport are not available.

In looking at the resources of a social assistance claimant, the authorities can look beyond the immediate family, to include both other household members and other relatives who have a duty under family law of financial support. This would include divorced or separated spouses, and parents or non-dependent children. Because of the individualised nature of the assessment process, there is little information available on how the household means test is applied in practice.

The two examples below give some illustrations of how maintenance is treated for the means test. Both examples are based on the standard monthly rates valid in Salzburg in 1993, as follows:

- Adult rate (primary beneficiary): AS 3,620 (equivalent to £157 or US\$250)
- Child rate (secondary beneficiary): AS 1,050 (£46 or US\$72)

Example 1: A lone mother with one child has net income of AS 3,000 and receives AS 2,500 maintenance for her child from the father. The mother would receive social assistance of AS 620 (the difference between the adult rate and her income). The child receives no social assistance, but the excess income of AS 1,450 (maintenance less child rate) is not taken into account in the assessment of benefit

for the mother, since the child is not obliged to provide support for the mother. Total household income is therefore AS 6,120.

Example 2: A lone mother has net income of AS 3,000, plus support from her divorced husband of AS 2,500. She has a child by another man who is not in a position to provide support. Although the mother is obliged to provide support for the child, she is not entitled to social assistance since the total household income (AS 5,500) is higher than the total of the two standard rates (AS 4670).

The difference between these two example results from the fact that while a mother has to pay for the maintenance of her child, the child does not have to maintain its parents. The child's income is therefore not taken into account in the means test.

Austria has an advance maintenance system, which guarantees custodial mothers payments up to the level ordered by the courts. Where possible, maintenance is recovered from liable fathers, but if their income is too low for maintenance to be paid, no advance maintenance is payable.

Benefit levels

There is no official, or generally accepted, poverty line in Austria: nor are there national benefit rates for social assistance. Rates are set by the provinces individually, resulting in nine different benefit levels. These rates only provide a standardised guideline for setting benefits and the district authorities have the discretion to vary payments upwards or downwards according to their assessment of individual needs.

The standard rates are fixed annually by the provinces. The uprating factor is generally the same as that laid down by Parliament for pensions, which is related to changes in earnings. However, in recent years the minimum pensions have increased much faster than average earnings. Consequently the rates of social assistance have fallen behind those of the minimum pensions. In recent years the standard rates for single people have varied, according to the province, between 45 and 60 per cent of the lowest net earnings of full-time workers and between 60 and 80 per cent of the minimum pensions. Table 3.1 shows the standard benefit rates for three of the nine provinces in 1992 and 1993.

For lone parents, payment is based on the standard rate for a single person, plus that for the child as 'secondary beneficiary'. In addition to the standard rates, many claimants also receive additional benefit to cover part or all of their housing costs (see 3.4). A further variation by province is that whereas people able to work generally receive 12 payments per year, disabled people and other long-term claimants may receive up to 14 payments.

A very important aspect of social assistance in Austria, which should be noted, is that former recipients may be required to repay some or all of the assistance received if their financial circumstances improve - for example, through acquiring assets or through an increase in earnings. This liability generally extends to benefits received in the previous three years, depending on the province, though in some it can last as long as ten years. The repayment of benefit is not supposed to be enforced if it would be likely to cause poverty or other social problems for the former recipient.

Other assistance-linked means-tested benefits

As noted above, the other means-tested benefits available in the Austrian social security system are supplementary pensions and unemployment assistance. Supplementary pensions are available to people over retirement age if they meet the general requirements for pension entitlement and if the total income of the claimant (and partner in the case of couples) falls below the applicable minimum pension rate. For single people in 1994 this was AS 7,500 per month (around £325

Table 3.1: Standard monthly rates of social assistance in three provinces, 1992-3, in Schiflings, plus £s and US \$¹

| | CARINPHIA ¹ | | | | | | UPPER AUSTRIA ³ | | | | | | VIENNA ¹ | | | | | |
|--|------------------------|-----|-----|--------|-----|-----|----------------------------|-----|-----|-------|-----|-----|---------------------|-----|-----|-------|-----|-----|
| | 1992 | | | 1993 | | | 1992 | | | 1993 | | | 1992 | | | 1993 | | |
| | AS | £ | \$ | AS | £ | S | AS | £ | S | AS | £ | S | AS | £ | \$ | AS | £ | S |
| Single person able to work | 4,150 | 183 | 290 | 4,360 | 189 | 301 | 5,210 | 229 | 364 | 5,610 | 243 | 387 | 4,350 | 191 | 304 | 4,530 | 196 | 312 |
| Elderly or disabled single person | 4,950 | 218 | 346 | 5,200 | 225 | 359 | 5,210 | 229 | 364 | 6,010 | 260 | 414 | 6,3 | 278 | 441 | 6,790 | 294 | 468 |
| Head of household able to work | 3,400 | 150 | 238 | 3,570 | 155 | 246 | 4,73(1 | 208 | 331 | 5,100 | 221 | 351 | 4,250 | 187 | 297 | 4,420 | 191 | 305 |
| Disabled head of household | 4,150 | 183 | 290 | 4,360 | 189 | 301 | 4,730 | 208 | 331 | 5,460 | 236 | 377 | 6,860 | 302 | 446 | 7,400 | 320 | 510 |
| Adult dependant as secondary beneficiary | 540 | 24 | 38 | 570 | 25 | 39 | 2,890 | 124 | 197 | 3,040 | 132 | 210 | 2,180 | 96 | 152 | 2,270 | 98 | 157 |
| | to | to | to | to | to | to | | | | | | | | | | | | |
| | 2,560 | 113 | 179 | 2,68(1 | 116 | 185 | | | | | | | | | | | | |
| Child as secondary beneficiary | 3111 | 14 | 22 | 330 | 14 | 22 | 1,020 | 45 | 81 | 1,100 | 48 | 76 | 1,310 | 58 | 92 | 1,360 | 59 | 94 |
| | to | to | to | to | to | to | to | to | | to | to | | | | | | | |
| | 1,240 | 55 | 87 | 1,320 | 57 | 87 | 1,420 | 63 | 99 | 1,530 | 66 | 106 | | | | | | |

¹ Currencies are converted using OECD purchasing power parities and rounded to nearest whole unit

² Province with lowest standard rates overall

³ Province with highest standard rates for persons able to work

⁴ Province with highest standard rates for disabled persons

Source: Steiner, 1994

or US\$ 517). This figure represented approximately 60 per cent of the net average earnings of employees.

Unemployment assistance is available after the expiry of unemployment benefit, which is paid for between five and 12 months depending on age and the duration of previous employment. It is only available to Austrian citizens, European Economic Area nationals and other foreigners who have lived and worked in Austria for many years. Unemployment assistance has no specified base rate, but has a maximum level of 95 per cent of the amount of unemployment benefit previously received. Almost all of the claimant's income is taken into account for the means test and the income of a spouse is also counted where it exceeds AS 5.345 per month, plus AS 2,693 per child. More than 70 per cent of payments made are below the single person's supplementary pension level.

Both these and all other social security benefits, except family allowance and long-term care benefit, are counted as income for social assistance.

There are two other special programmes which are often regarded as part of social assistance in Austria: these cover the costs of children in care and benefits for disabled people. However, these programmes are not means-tested and they are not discussed in any detail here.

One-off and urgent payments

Because of the function of social assistance as a subsidiary and discretionary social system, a substantial framework of special and individualised payments has grown up, which can include both increases in the standard rates of benefit, one-off grants, loans, and provision of support services. These special payments range from housing allowances and the capital business loans referred to above, to the costs of special diets and one-off purchases of furniture or clothing. Some needs, such as diets, essential furniture and clothing, give rise to a notional legal entitlement, whereas more commonly they are met on a discretionary basis under the heading of 'support to meet special contingencies in life' or 'extreme hardship'. Other examples of payments made include the cost of essential travel to funerals or weddings. In terms of service provision, a particularly important measure in recent times has been debt counselling.

Special payments can be administered by the district social assistance agencies where they cover immediate needs, but more commonly they are awarded at the discretion of the centralised provincial governments. Payments can be made as either grants or loans, but in practice loans are more usual, with repayment arrangements agreed on an individual basis. Usually deferments are agreed for the period immediately following the granting of a loan.

There are no fixed budgets for benefits which confer a legal entitlement, but for discretionary payments fixed budgets exist which must not be exceeded. The amounts of money allocated for special needs vary considerably between provinces and information is not available on either expenditure or the numbers of recipients of special payments. Recently there have been some moves towards greater regulation of benefits to meet special contingencies in life (Steiner, 1994), but in general the provision of special and one-off payments has long been an accepted feature of social assistance in Austria and appears to provoke little policy discussion (Pfeil, 1994).

Social insurance contributions

People receiving social assistance are not liable for social insurance contributions. On an individual basis social assistance may be awarded to cover the cost of medical treatment ('assistance during sickness'). Social assistance also covers health insurance contributions for recipients who are likely to be dependent on benefit for long periods and those without health insurance coverage (particularly dependants of insured persons).

Fringe benefits and other concessions

In cases where there is not full health insurance cover, social assistance can also be awarded for necessary medical care of pregnant women and women in childbirth. Provision of social services such as home-care, household help, or meals on wheels is also possible at the discretion of the local authorities. For these services the applicants must make regular contributions based on their incomes. For families with children, payments can also be made towards the costs of school materials and school events or trips ('support for education and vocational training').

Partly as a consequence of the fragmentation of competencies under social welfare law, there are no other indirect forms of help available to assistance recipients, such as reductions in the cost of public transport. There are also no local taxes, so no system of rebates is required.

Administration and the claiming process

Sozialhilfe is administered by the district authorities within each province. Application is usually made in person, although it can also be made by telephone or in writing. Documents which may be required to authenticate a claim (depending on the claimant's circumstances), include identity cards, registration of residence, proof of income, tenancy contracts, proof of rent and medical reports. The actual procedure for verification is not legally regulated and is not handled uniformly by the authorities.

If benefit is to be awarded on a longer-term basis, visits are normally made to check living and housing conditions, including verification of the household and who lives there, and assessment of needs. This is less common where shorter-term or one-off payments are being made.

In the cases of people living in residential homes and those with *fixed*, long-term benefits and generally unchanging living conditions (such as pensioners), payments are generally reviewed annually. But all claimants normally receive payments fortnightly or monthly, depending on the province. Long-term benefits are generally paid into a giro account if possible, while short-term and one-off payments are usually made in cash. Where assistance is awarded to cover specific payments to a third party, such as nursing home fees, rent or mortgage interest payments, these are generally paid directly. Apart from this, no other deductions can be made from benefit. Payments are normally made in full to the claimant, though if there is some evidence that they might not be properly used for the benefit of all dependants, payment can also be made partly or wholly to another person (such as the spouse).

Recipients must report any changes relevant to the assessment of their benefit. This includes changes in income, gifts received, benefits from third parties, changes in assets (such as through inheritance), changes to the composition of the household, and major purchases -- such as that of a motor vehicle.

Overpayments are normally recovered by 'reasonable' instalments, though repayments can be deferred if recovery might defeat the object of helping recipients to become self-sufficient. The authorities can also attempt to recover payments from liable relatives and debtors of the recipient. Cohabitees are not liable for recovery of benefit, since they are not legally obliged to provide support. A divorced spouse can only be made liable for repayment of benefit if the obligation to provide support has been laid down in a court ruling. Grandparents, grandchildren and more remote relatives cannot be made liable.

In order to control and detect fraud, data are usually verified by inquiries to the social insurance institutes, the labour exchange, or local registration offices. Other authorities may be contacted in individual cases. According to Pfeil (1994), there is no well-founded evidence of the extent of fraud or abuse, though in public discussion individual cases are often highlighted as symptomatic.

There is little evidence available about the relative efficiency of administration in the different provinces. Anecdotal evidence suggests that in the large towns there are often problems of delay, though these are sometimes dealt with by making interim payments. Pfeil (1994) has suggested that there is a basic conflict between the requirement for a speedy decision and the necessity of invoking detailed and individualised investigations of means.

Decisions by the district authorities are subject to appeal, which must be filed within 14 days of receiving the decision. An appeal need not be made on a specific form and legal grounds are not necessary. Appeals are heard by a tribunal within the provincial authority and legal aid is available for representation. However, legal costs are not reimbursed until a case has been through all the possible stages of appeal (decisions of the tribunal can be appealed to the federal administrative or constitutional court). Appeal tribunals have up to six months to make a ruling and they can either increase or decrease the amount originally awarded.

Complaints about administration can be made to the national Ombudsman, while the administration of social assistance is also subject to scrutiny by the provincial governments and by the provincial and federal courts of auditors.

The role of non-governmental organisations in social assistance

Although private organisations and charities are not directly involved in the provision of social assistance in Austria, voluntary sector 'free welfare agencies' (*Freie Wohlfahrtsorganisationen*) are important, particularly as providers of services, including institutional care and other social services. Charities can also be important in meeting material needs not covered by social assistance. In rare cases where such organisations become involved in the direct provision of cash for a claimant's immediate needs, such as in an emergency, the agency can claim a refund from the social assistance authority.

There is, however, no substantial or influential body of organisations which are regarded as a 'poverty lobby'.

3.4 Housing assistance

In addition to the standard subsistence benefit, all federal provinces provide for social assistance coverage of at least part of the costs of housing and associated heating costs. There are, however, wide differences in the level of support offered. In two provinces (Salzburg and Vorarlberg) actual costs can be met in full, whereas in others only fixed amounts are given irrespective of rent levels. In 1993 Carinthia, for example, provided a monthly housing allowance of AS 1,600 (about US\$ 110 or £69) for single people and AS 2,100 (US\$145 or £91) for larger households. The average rent in 1992 for a two-bedroom flat in Salzburg (which provides full allowances) was estimated as around AS 8,000 per month (US\$559 or £346) (Pfeil, 1994).

Social assistance payments are normally available only for the costs of public and private rented housing and not for mortgage interest or loan repayments for house purchase. In assessing a claimant's need for housing assistance, it is normal to check whether the dwelling is suitable, especially if the rent is particularly high. In exceptional cases, especially to avoid a threat of homelessness, district authorities can take over the payment of mortgage interest payments or give interest-free loans as 'support for the maintenance and provision of housing' (*Hilfe zur Beibehaltung von Wohnraum*). This help is discretionary and carries no legal entitlement.

Means-tested grants are also available for housing construction and repair under other provincial legislation, but the assessment criteria are not related to those for social assistance.

Housing costs are regarded as a growing problem in Austria for people both in and out of work. In most provinces, however, the relatively low proportion of costs

covered by assistance means that any disincentive effects arising directly from housing subsidies are likely to be weak. According to Pfeil (1994), there is little debate about disincentives, although there have been some discussions in the housing policy field about the best use of subsidies and about ways of influencing the rented market through limits on housing allowances.

3.5 Trends in expenditure on social assistance benefits

Table 3.2 shows national expenditure on means-tested benefits between 1980 and 1992. The means-tested *Sozialhilfe* programmes include cash benefits for persons outside and inside of residential institutions. The figures for supplementary pensions only represent the means-tested element of the minimum pension.

Table 3.2: Expenditure on means-tested assistance benefits, 1980-1992, at annual prices

| | AS billions | | | | |
|--|-------------|------|------|------|------|
| | 1980 | 1985 | 1990 | 1991 | 1992 |
| Sozialhilfe | 4.2 | 4.8 | 9.3 | 9.0 | 9.8 |
| Unemployment Assistance | 0.4 | 2.4 | 3.6 | 4.6 | 5.0 |
| Means-tested supplementary pension benefits | 5.6 | 6.4 | 7.4 | 8.2 | 9.2 |
| Total | 10.2 | 13.6 | 20.3 | 21.8 | 24.0 |
| Percentage of total expenditure on social security | 4.0 | | 4.2 | | 4.1 |
| Percentage of GDP | 1.0 | | 1.1 | | 1.2 |

Note: Purchasing power parities for 1992 were AS1 = US\$0.07 and £0.04

Source: Steiner, 1994, 1995

Expenditure on the non-means-tested programmes, which are normally thought of as part of the overall *Sozialhilfe* budget, was around AS 8.8 billion in 1992. These programmes include cash benefits for frail and blind persons, integration programmes for disabled people, foster care, and deficit funding for in-patient and out-patient care services. Table 3.3 presents the broader figures, including these benefits, for 1980, 1990 and 1992 in current prices and as a percentage of overall social security expenditure.

Table 3.3: Total expenditure on *Sozialhilfe*, 1980-1992, at annual prices and as a percentage of social security expenditure

| | AS billions | | |
|--|-------------|------|------|
| | 1980 | 1990 | 1992 |
| Total expenditure on social assistance | 6.4 | 18.3 | 18.6 |
| Percentage of total expenditure on social security | 2.5 | 3.8 | 3.2 |
| Percentage of GDP | 0.6 | 1.0 | 0.9 |

Source: Steiner, 1994, 1995

Although total expenditure on *Sozialhilfe* trebled in cash terms between 1980 and 1992, as a proportion of all social security expenditure it grew more slowly, increasing by just over half up to 1990 and then falling back again to just over three per cent in 1992. As a share of GDP it was less than one per cent in 1992. Total expenditure on means-tested *Sozialhilfe* and the other means-tested assistance programmes also grew rapidly between 1980 and 1990, with *Sozialhilfe* itself nearly doubling in cash terms between 1985 and 1990. As a percentage of total social security expenditure and of GDP, however, it has remained both low and stable.

Table 3.4 gives a breakdown of the total expenditure figure for *Sozialhilfe* in 1992 by programme and client group. Only just over ten per cent of all social assistance expenditure was on means-tested cash benefits for people not resident in homes or not receiving some form of disability, health or age-related services. This amounted to approximately 0.3 per cent of all social security expenditure - illustrating the minor role that mainstream social assistance plays in Austria's social security system.

Table 3.4: Distribution of total expenditure on *Sozialhilfe*, 1992

| | AS billions |
|--|-------------|
| Social assistance cash <i>benefits</i> for recipients not living in residential institutions | 2.0 |
| Social assistance for residents of homes unable to pay full nursing fees | 7.7 |
| Compensation for foster parents | 0.2 |
| Funding of out-patient family and nursing services | 1.4 |
| Maintenance and deficit coverage of nursing homes and homes for the aged | 1.6 |
| Cash benefits for persons requiring nursing care | 1.1 |
| Residential and community-based facilities for disabled people | 4.6 |
| Total | 18.6 |

Source: Steiner. 1994

Approximately 40 per cent of social assistance expenditures are financed by provincial taxes. 40 per cent by municipal taxes and 20 per cent by social insurance contributions and repayments from beneficiaries or relatives obliged to provide support. The financing arrangements vary considerably, however, from province to province.

3.6 Trends in the numbers of assistance recipients

Information on claimants of social assistance is not collected at a national level in Austria. Table 3.5 shows estimated numbers of recipients of the means-tested benefits between 1980 and 1992. The figures for unemployment assistance and supplementary pensions are from national data, but the *numbers* of social assistance recipients are based on information provided to central government by the provinces and are not regarded as reliable by the federal ministry.

Table 3.5: Estimates of the numbers of recipients of *Sozialhilfe* and other means-tested benefits, 1980--1992

| | (Thousands) | | | | |
|--------------------------------------|-------------|-----------------|------|------|------|
| | 1980 | 1985 | 1990 | 1991 | 1992 |
| Sozialhilfe ¹ | 71 | 74 | 64 | 56 | 58 |
| Unemployment Assistance ¹ | 6 | 28 | 44 | 52 | 53 |
| Supplementary pension ¹ | 316 | ² 78 | 263 | 264 | 271 |

¹ All persons (inside and outside institutions) receiving regular payments within the given year

² Average number for the given year

Source: Steiner. 1994

On the basis of information supplied by the provinces, it is estimated that in 1992 there were around 28.000 recipients of *Sozialhilfe* outside of residential care and around 30.000 recipients within residential care settings who were dependent on regular cash payments. This is equivalent to about 0.7 per cent of the population.¹ Around half the recipients in 1992 lived alone. There were approximately 8,000 families with children receiving social assistance and 2.000 households with more than one person but without children. The majority (55 per cent) of social assistance recipients were women. Half were single, more than a quarter were divorced or separated, and approximately 10 per cent were either married or widowed. Around 45 per cent of heads of household were unemployed or unable to work because of ill health. Twenty per cent were lone mothers and 20 per cent were refugees.

In 1993, long-term care benefits were increased substantially, which is likely to lead to a drop in the proportion of claims for the costs of residential and nursing care for older people, unless fees also increase disproportionately.

As mentioned above, minimum pensions have been increased more rapidly in recent years than social assistance rates. Consequently the number of older people receiving social assistance was declining up to 1990. In December 1993 there were

¹ - The numbers appear to have fallen since 1985, although other sources suggest that there was an increase during the 1980s. This discrepancy reflects the paucity of accurate data on social assistance in Austria.

just over 273,000 people receiving supplementary pensions, of whom over one-third were women with survivors' pensions (Austrian Office for Social Statistics, 1994).

The largest proportionate increase has been amongst people receiving unemployment assistance, which is likely to be directly related to the growth in long-term unemployment referred to earlier.

Take-up

There are no reliable estimates available of the take-up rate for *Sozialhilfe*, partly because of the discretionary and individualised nature of payments and partly because of the limited statistical data on recipients collected by the provinces. One recent study (Lutz *et al.*, 1993) estimated that only between 10 and 20 per cent of people with incomes which might bring them into the social assistance bracket actually made a claim. Pfeil (1994) suggests that receipt of cash social assistance, as opposed to other social security benefits, is still highly stigmatising. The geographically varied and discretionary nature of benefits also makes it potentially difficult for claimants to understand their entitlements. Although district authorities are encouraged to take an active role in seeking out people who might be entitled to assistance, it is not thought that they pursue this task with much vigour. The system of finance for social assistance also acts as a deterrent to promoting fuller take-up, particularly for the less wealthy provinces.

3.7 Policy issues

Poverty and the level of social assistance

There is no official poverty line in Austria, but the standard rates of assistance for single people are substantially below both minimum pension levels and the lowest net wages. In most provinces standard rates for single people are around 30 per cent of the average per capita income - well below the European Union's designated poverty line. Although extra benefits may be awarded in addition to the standard rates for items such as housing and clothing, restrictive practices in some areas raise questions over whether acceptable minimum standards of living can be guaranteed through social assistance.

Until recently the concept of 'poverty' was not commonly spoken of in public debate when referring to lower-income groups, but this taboo has been broken partly because of debates in the EU. Problems of a worsening labour market and difficulties with sustaining social expenditure, as well as demographic and social change, have all led to the political parties debating policies for social protection targeted more on particular categories.

Geographical variation and discretion

There is also some debate about the advantages and disadvantages of the localised and semi-discretionary nature of social assistance. Social policy experts tend to argue that this leads to unnecessary complexity and territorial and individual disadvantage. The counter argument is that problems can be solved better on a regional level, though political support for this view may stem partly from concern with the distribution of duties and power between the provinces and the central state. One possible advantage is that regionally different regulations can take into account different costs of living. However, this does not appear to work in practice, since the province of Salzburg, for example, has a higher cost of living than the eastern provinces but generally lower standard rates of benefit.

Pfeil (1994) argues that debate about the distribution of costs of social assistance between the province and the municipalities is also not seriously orientated towards actual problems or towards achieving greater efficiency. More often the decisive question is the distribution of political power between the individual territorial bodies.

3.8 Recent and forthcoming changes

One of the key issues on the Austrian international agenda has been its entry into the European Union and recent changes have been aimed mainly at ensuring that the economy and the Austrian institutions are prepared to adapt to the new requirements of European law. In June 1994 a referendum supported entry into the Union.

A major part of total social assistance expenditures is for benefits for persons requiring nursing care (particularly in residential homes). With the Federal Nursing Benefit Act passed in 1993, insurance-based benefits for persons requiring nursing care were raised considerably, thus easing the financial burden on the provinces for payments from social assistance. Currently there is a debate between the federal government and the provinces as to how the extensive savings which flow from this change should best be used. The federal government is of the opinion that resources should be used first and foremost by the provinces to improve services in the community.

A reform is under consideration affecting the distribution of powers and responsibilities in the field of social assistance between central government and the provinces. This largely removes from central government those limited areas of influence on the provision of social assistance which it has had up to this time.

There are no specific proposals currently being discussed which affect social assistance directly, but there is a broader political debate concerned with reducing the rate of increase in social expenditure. One proposal is to introduce some limited means-testing into social insurance benefits, which, it is argued, would protect the poorest groups from the adverse effect of expenditure cuts. An alternative involves restricting the availability of unemployment assistance, which would be likely to transfer more longer-term unemployed people onto *Sozialhilfe* at an earlier stage.

3.9 Overall performance

Social assistance in Austria plays only a small and somewhat residual role in social security. Its main function has been to provide means-tested help with care of the elderly and only secondarily in more general poverty prevention. However, because of increases in long-term unemployment and family change, its importance has been increasing.

Arguably, by having a local and discretionary system, support can be tailored to the needs of particular families and individuals. Austrian experts suggest, however, that their scheme is highly stigmatised and has low take-up. Thus, it is argued, while the structure may not create major problems in terms of poverty traps or work disincentives, benefits may not be very successful in preventing poverty.

The scheme is also relatively unusual in allowing the resources of household members beyond the immediate family to be assessed for the means test, and in permitting the recovery of benefit where recipients' future circumstances improve. There is little evidence of how either of these policies is actually applied, or viewed by potential claimants, but it is possible that they contribute to low take-up and stigma.

Chapter 4 Belgium

4.1 Background

Demography

Belgium is a small country in European terms, with a total estimated population in January 1994 of 10.1 million (Eurostat, 1994a). During the 1980s the population increased at a slower rate than in all the other EU countries apart from Italy and the UK.. Although it is expected to continue growing until 2030, a combination of low fertility rates and higher life expectancy is producing a marked ageing of the population (OECD, 1994b). In 1993 the estimated total fertility rate was 1.61 (Eurostat, 1994a) - slightly lower than the 1992 average of 1.7. In 1990 people aged over 60 made up 20 per cent of the population, but this is expected to increase to 32 per cent by 2050. The support ratio is projected to fall by nearly half between 1990 and 2050.

In spite of being small, the population of Belgium is relatively heterogeneous. The key division is between the two main language groups - French and Flemish (Dutch speaking). The language split is reflected in political and administrative divisions and there are distinct cultural differences between the three main regions of Flanders, Wallonia and Brussels. In addition, nine per cent of the population in 1991 was made up of non-Belgian citizens, with a particular concentration in the Brussels area. Sixty-two per cent of the migrants were from European Union countries, with the next largest group from Africa (21 per cent), particularly from Morocco. There are also large groups of political refugees and asylum seekers. In 1992 there were 24,600 people with the status of recognised refugee and in October 1993 there were just over 36,000 asylum seekers waiting for a decision on their cases. 'Foreigners' make up around 6.5 per cent of the labour force and 73 per cent of these are EU nationals.

The population profile is also changing through family and relationship breakdown. Between 1985 and 1992 the percentage of households consisting of single divorced women increased from 2.2 per cent to 3.4 per cent and in 1990, 13 per cent of families with children were headed by a lone parent. However, being widowed was the most important route to lone parenthood (53 per cent) and only five per cent of lone parents were single 'never married' (Whiteford and Bradshaw, 1994).

Employment and the economy

The Belgian economy was badly hit by the European-wide recession of the late 1980s and unemployment as measured by the International Labour Organisation convention was over 19 per cent in May 1994 (Eurostat, 1994b). In the 1970s unemployment had averaged only 4.8 per cent, growing to over ten per cent during the 1980s (OECD, 1994b). In 1992 there were approximately 436,000 people unemployed using a narrow definition, but by including all those employed on special schemes or exempted from job-search for various reasons this figure rose to 1.14 million or 25 per cent of the broadly defined workforce. The average figures conceal considerable regional variations and are also much higher for young people and for women. In 1992, even using the narrower definition of unemployment, it was estimated that 25 per cent of insured people under 20 were out of work, as were 20 per cent of those aged 20-25 (Cantillon, 1994). As a result of the post-war 'baby boom', the number of young people attempting to enter the labour market is considerably higher than that of people ending their working life.

Labour force participation rates have in the past been close to the EU average, but the economic activity rate for men (defined as the male labour force as a proportion of the male population of working age) has been declining since the early 1970s and at 72.7 per cent in 1990 was the lowest in the OECD (OECD, 1993c). Female participation rates are also below the OECD average, though higher than in several other European countries.

Belgium has had a particularly high level of long-term unemployment since 1980, with a gradual increase in the percentage of those unemployed for over a year from 61.5 per cent of total unemployment in 1980 to 76.3 per cent in 1989 (SCP, 1990). This compares with an increase from 29.5 per cent to 40.8 per cent over this period for the UK. OECD estimates put long-term unemployment in Belgium at 59 per cent of all unemployment in 1992, compared with an average of 28.6 per cent (OECD, 1994a). This may be influenced by the relatively generous unemployment benefits available as well as the pre-retirement schemes described below. Reissert (1993) estimated that in 1989 the gross wage replacement rates for newly unemployed people were in the lower range for the ELL along with Germany, Ireland, and the UK. After two years in unemployment, however, they were similar to Luxembourg and only lower than Denmark and the Netherlands.

Belgium also combines a relatively high wage economy with high employer social security costs. In 1988, employers paid contributions amounting to 20.7 per cent of GDP, the fourth highest in the 17 OECD countries included in a study of child support policies, after France, Germany and Italy (Bradshaw *et al.*, 1993).

Inflation in 1992 was less than 2.5 per cent -- better than the EU and OECD average -- but it has since accelerated and underlying inflation was around 3.5 per cent in 1994. The country also has one of the highest public debt to GDP ratios in the OECD (125 per cent in 1991), and in 1991 spent an estimated 25.4 per cent of *GDP on* social protection (including health) (OECD, 1994c). The most recent OECD economic survey for Belgium makes gloomy prognostications. Economic problems are causing political pressure to reduce public expenditure, including that on social security. In November 1993 the Government approved a global plan for employment, competitiveness and the social security system, which aims *inter alia* to reduce the budget deficit and *to* balance the social security accounts. Details of the plan as they affect social security are discussed later in the chapter.

The political framework

Since 1970, Belgium has been transformed in stages from a unitary state to a fully-fledged federal state (Alen, 1990). The 1993 reform which completed this transformation provided for direct elections to *the* Councils of the three regions and of the Flemish and French communities, while substantially expanding the powers and responsibilities of these sub-national bodies. It also clarified the responsibilities of these bodies for *the public* social welfare centres which administer social assistance (see below).

Belgium has a long tradition of coalition government and the current administration is no exception. The elections in November 1991 brought in a coalition of Christian democrats (the Christian Social Party or CVP) and social democrats (the Socialist Party), led by the former. The Christian democrats have been the main party of government for a number of years and were responsible for introducing most of the social assistance programmes.

4.2 The social security system

Background

Belgian social security has traditionally been based on the Bismarckian social insurance principle and the country is commonly grouped with its immediate European neighbours *in* welfare state typologies as belonging to the continental or corporatist model (see for example Esping-Andersen, 1990). Social insurance is

organised along professional lines, so that separate schemes exist for public employees, private employees and the self-employed (and in some cases for civil servants). The social security schemes for employees come under the jurisdiction of the Ministry of Social Affairs, except for unemployment benefits which are the responsibility of the Ministry of Labour and Employment. Social security for the self-employed is the responsibility of the Minister for Small Business, except for sickness and invalidity benefits which come under Social Affairs. The administration of benefits is carried out by a network of autonomous public social security institutes or co-operating funds, under the policy direction and regulation of the ministries.

Insurance benefits are funded by contributions from employees, the self-employed and employers, plus subsidies from general taxation. Contributions are also levied at various levels on some benefits, including pensions, invalidity benefits, occupational injury benefits, survivors' benefits (mostly between 1.5 and 3.5 per cent of benefit over a specified limit). State subsidies automatically cover any shortfall in unemployment benefit (and invalidity benefit for miners), but for other benefits subsidies are notionally fixed at a maximum percentage of expenditures varying upwards from 20 per cent for retirement and survivors' pensions upwards (see Pieters, 1993). In practice, however, the state has frequently been obliged to cover shortfalls higher than the prescribed limits.

Structure

The main benefits provided are follows:

- *Retirement Pensions*

These can be taken flexibly between 60 and 65 for both men and women (though with some restrictions for the self-employed). For public employees pensions are calculated according to the number of years of service and are based on the average salary for the five years before retirement, up to a maximum of 75 per cent of this average. Pensions are automatically indexed to public salaries. For private sector employees, benefits are based on average wages over the working life (from age 20 to 65 for men and 20 to 60 for women) and are paid at 60 per cent of the average for single persons and 75 per cent for couples. Uprating is based on the consumer price index, but can be varied to take account of changes in living standards.

Self-employed pensions are based on a dual system. Since 1984 the calculation has been the same as for private employees, but based on half of business income. For the years before 1984 (and since 1956) it is paid at a flat rate depending on the number of years worked.

- *Survivors' Pensions*

Widow(er)s' Pensions for spouses of deceased, insured employees or self-employed persons, are paid at 50 per cent of the actual or calculated retirement pension of the deceased person, provided the survivor is over 45 years, or has a dependent child, or is 66 per cent incapable of work. Benefits continue to be paid for one year after a change in circumstances which means that conditions are no longer satisfied.

On the death of an insured person from an occupational injury or disease, members of the family can get benefits at rates varying from 15-60 per cent of the person's basic wage, depending on their relationship to him/her.

- *Sickness and Invalidity Benefits*

An Invalidity Benefit is available to employees under 65 (men) and 60 (women) certified incapable of work with a condition which results in a decrease of earnings capacity of at least 66 per cent. For the first year the benefit is normally 60 per cent of the previous wage. From the second year on, heads of households get 65 per cent: otherwise it is 40 or 45 per cent

depending on whether the lost earnings made up the only income. Payments are subject to minimum and maximum levels, so the benefit falls between being earnings-related and flat-rate.

For the self-employed the first three months are not compensated. Thereafter a flat-rate payment at around the social minimum is payable, which rises after a year and is slightly higher for the head of a household.

Industrial injuries are compensated at a percentage of the wage broadly equal to the degree of incapacity.

- *Family Benefits*

Maternity Allowance: employees receive 82 per cent of the full wage for first 30 days. then 75 per cent of the wage up to a ceiling for a total of 15 weeks. For the self-employed only a lump-sum payment is made to cover the first three weeks after birth.

Family Allowances are payable for children up to 16 years, or up to 25 for some students. disabled children or others incapable of work. The amount per child increases substantially as the number of children increases, with additional age allowances (6-12. 13-16, over 16). For self-employed people the first child allowance is smaller and there is no age allowance for the first child (see Bradshaw *at al.*, 1993).

- *Medical and health costs*

Insured people are reimbursed for medical payments from their sickness and invalidity fund, minus personal contributions towards costs which vary for different items. These contributions are based on percentages of the costs. so that, for example. people might have to pay up to 25 per cent for normal medical care. Fees are reduced for pensioners and social insurance beneficiaries, but even social assistance recipients have to meet part of their medical costs. They can however receive discretionary help through supplementary assistance (see below).

For the self-employed, insurance is limited to major risks and they normally have to take out additional private cover. Full cover is available to victims of industrial injury or disease.

- *Unemployment Benefits*

The main conditions for receipt of unemployment compensation are that an applicant must be under retirement age, must have worked for a specified number of days in the previous reference period and must be involuntarily unemployed, available for and seeking work. The required number of insured working days varies with age. between, for example, 312 days in 18 months for people under 36 and 624 days in 36 months for those over 50. The qualifying periods were extended in January 1993 as part of the Global Plan to contain expenditure.

There are four kinds of unemployment-related insurance benefits:

1. *Unemployment Benefit (Allocation de Chdinage)*

In 1994 this was paid at 35 per cent of the gross previous wage up to a maximum limit, plus:

- a five per cent allowance for loss of income for single persons and couples with children
 - an adjustment allowance of 20 per cent for the first year of unemployment
 - a dependant allowance of 20 per cent after the first year of unemployment, if the beneficiary is the head of household
- S a two per cent additional allowance for single people, after the first year of unemployment.

Thus a single unemployed person would receive a maximum total of 60 per cent of previous wages in the first year, falling to 42 per cent in subsequent years, while a head of household with children would continue to receive up to 60 per cent of wages indefinitely.

Wage-related benefits are subject to a minimum as well as a maximum. People not entitled to the five per cent loss of income allowance (mainly sharers) lose their wage-related benefits after a specified time and get a flat-rate payment instead. Until January 1994 the time limit was 18 months, but it is now 15 months plus three months for every year of employment before they became unemployed. The duration of earnings-related benefit is unlimited for people who have worked 20 years or more or are at least 33 per cent incapacitated. but for others benefit can be suspended if the length of time an individual has been unemployed exceeds twice the regional average for people of their age and sex. As part of recent efforts to encourage greater work-seeking activity by unemployed people the burden of proof of genuine inability to find work has been shifted more towards claimants.

2. 'Waiting' benefit

Young people leaving school or higher education who are not heads of households can get a flat-rate waiting benefit (also called 'bridging benefit' for unemployed people pursuing part-time education). If they are heads of household they receive unemployment benefit. but based on the minimum wage. The rates of benefit are set lower than for normal unemployment benefit both because young people do not have an earnings record on which to base payments, and in order to support work incentives. The monthly rates from May 1 1994 in Belgian Francs were as follows. The approximate equivalents are also given in rounded US Dollars and Pounds Sterling, using 1993 purchasing power parities.

| | <i>BF</i> | <i>S</i> | <i>£</i> |
|------------------------|-----------|----------|----------|
| Head of household | 28,860 | 746 | 469 |
| Single person over 21 | 16,302 | 421 | 265 |
| Single person under 21 | 12,597 | 326 | 205 |
| Sharers | 11,960 | 309 | 194 |

3. Early retirement pension

A supplement is paid by employers to people made redundant after their 60th (or sometimes 50th) year. This consists of half the difference between unemployment benefit and the person's last net wage. Where the supplement is payable. unemployment benefit is not reduced after the first year.

4. Interruption benefit

Employees choosing to interrupt their work for a minimum of six months and maximum of one year, or to change from full- to part-time work for a maximum of five years, are entitled to an interruption benefit. This is also payable for up to five years to unemployed persons who choose to leave the labour market for social or family reasons. Approximately 90 per cent of people claiming this benefit are women. who normally use it to cover a period of child care. The monthly rates for 1994 are shown below in Belgian Francs. with US Dollar purchasing power parities in brackets.

| | <i>No children/1 child</i> | <i>Two children</i> | <i>Three or more children</i> |
|-------------|----------------------------|---------------------|-------------------------------|
| First year | 11,370 BF (\$294) | 12,452 BF (\$322) | 13,535 BF (\$350) |
| Second year | 10,801 BF (\$279) | 11,830 BF (\$306) | 12,858 BF (\$332) |

None of these unemployment compensation benefits are available to the self-employed. Nevertheless. the percentage of unemployed people receiving insurance-based compensation was nearly 85 per cent in 1990, second only to Denmark in the EU member states (Reissert, 1993).

4.3 Social assistance

Introduction

Social assistance is generally regarded in Belgium as a residual and relatively minor part of social security. Nevertheless, as is described below, the numbers of people receiving it have grown substantially in the last ten years. Social assistance consists principally of four benefits:

- A *Revenu Minimum de Moens d'Existence et de !Integration* (Minimex)
- *Revenu Garanti pour Personnes A.gees* (Guaranteed Income for Older People)
- S *Allocation pour Handicapes* (Disability Allowance)
- *Allocation Familiale Garantle* (Guaranteed Family Allowance)

In addition, there is a system of discretionary supplementary payments (*aide complementaire*) either for special needs or for people who for some reason are not entitled to one of the other benefits. Assistance with housing costs is also available on a discretionary basis *from* local authorities, but there is no national housing benefit system.

The Minimex is the closest to a generalised system of means-tested income support. The other, categorical, assistance benefits have similar rates, but the means tests are less stringent.

The historical evolution of social assistance

In the inter-war period *poverty* relief was the responsibility. under a law of 1925. of local Public Assistance Commissions, who had wide autonomy and discretion in how they met their objective of 'relieving want'. These arrangements persisted until the 1960s, when public attention was increasingly drawn to the existence of groups on the margin of society who were not sharing in the general increasing prosperity. Public support was gradually won for the idea of a national minimum supplementary benefit for people who fell through the insurance net.

This idea was first given political expression in the CVP election programme of 1968. However, the introduction of the minimum benefit began with categorical groups who were seen as particularly deserving (and uncontroversial). Thus the RGPA (for older persons) was introduced in 1969, drawing for legitimacy on an earlier law of 1919 guaranteeing minimum pensions. This was followed the same year by a law bringing in assistance for disabled people who could not easily integrate into working life and support themselves. During the same period discussion took place of a guaranteed family allowance for people who were currently excluded from the insurance-based family benefits. This was not approved in law, however, until 1971.

The CVP's election manifesto for 1971 also proposed to extend minimal protection to all citizens in need, irrespective of the cause of their need. This was finally adopted in 1974 as the Minimex. The rates set for this benefit quickly became the standard for all the means-tested benefits,

Policy aims

The expressed goal of the Minimex is to 'ensure a minimum income to persons without sufficient resources who are unable to provide them by personal effort or other means'. Since its introduction the trend has been towards a gradual harmonisation of the different assistance benefits, greater universalism and uniformity of entitlement, less discretion and a steady increase in real terms in the rates of benefit (Cantillon et al., 1994).

Legal and administrative framework

All the minimum benefits have a national statutory framework, but policy and administration are split between different Departments. Family and older persons allowances are administered by the respective insurance bodies dealing with these groups, while Disability Allowance is managed directly by a special service of the Ministry of Social Affairs.

Policy responsibility for the Minimex is exercised by the Ministry of Social Integration, Health and the Environment, but it is administered by Public Centres for Social Welfare (CPAS in French and OCMW in Flemish). These are autonomous institutions under public law, governed by politically-composed Councils for Social Welfare appointed by the municipality. They also deal with discretionary cash or social service assistance to beneficiaries.

Since it was introduced, the Minimex has been financed half from national tax revenue and half by the municipalities. According to Cantillon (1994), this has placed increasing financial pressure on poorer municipalities with higher levels of recipients, resulting in geographical inequalities in the discretionary treatment of applicants. In order to overcome this problem, central government has, since 1992, taken on 60 per cent of finance for municipalities with more than 500 beneficiaries and 65 per cent where there are more than 1,000. Benefit for asylum seekers and people not yet registered with a municipality (especially formerly homeless people) is fully financed by the state.

One suggested advantage of the administrative separation is that it has been easier to develop a less restrictive and non-stigmatising system for 'deserving' groups like older or disabled people. On the other hand, the administrative complexity can lead to a lack of transparency in the operations of the different schemes, and people may face problems if they change category (Cantillon, 1994).

General conditions of entitlement

Entitlement to the Minimex is dependent on the applicant's resources being below prescribed limits and on availability for work, unless certain exemptions apply.

The minimum age for entitlement to the Minimex is 18, unless a claimant is pregnant or has children. In January 1993 there were only 190 young people under 18 receiving it independently. There might therefore appear to be a potential problem of teenagers who have left home and have no other source of income, though it appears that there are few who are neither in some form of training, nor receiving the flat-rate 'waiting' benefit referred to above, nor supported by their parents. In theory those with no other income can still get discretionary help from the OCMW, but there is little information available on how many young people receive such help. Young Minimex recipients can be obliged to claim maintenance from their parents, though this is discretionary and is not always applied. Since 1992, recipients under 25 years have to make an 'integration agreement' with the OCMW (see below).

Students are also entitled to claim if they have insufficient resources, but there is no clear or general agreement on whether it is reasonable for authorities to waive the 'availability for work' rule in their case. Thus, some OCMWs do grant benefit to students and others do not.

For the Guaranteed Income for Older People, claimants have to be 65 (men) or 60 (women). Applicants for the Disability Allowance must be over 20 and under 65: if they are older they can claim the *older* person's allowance. To be eligible they must show that their capacity for earnings on the open labour market has been reduced to at least one-third of that of a healthy person. This is determined by a doctor from the Ministry of Social Affairs or the invalidity insurance fund. Applications are made in the first instance to the local authority.

Residence and nationality

In principle social assistance is available to anyone resident in Belgium. The 1976 OCMW law which established the social welfare centres states that:

...every person is entitled to social assistance. This [law] aims to ensure that everyone has the possibility of living in conditions corresponding to human dignity.

Legal test cases have established that 'every person' in this context extends even to illegal immigrants, but in practice there are still restrictions, or at least separate treatment. People entitled to claim the Minimex are Belgian citizens, EU nationals, displaced persons and recognised refugees. For these groups the basic condition of entitlement is residence in Belgium. Until 1992 there was a residential qualifying period of five years before claiming (or ten years during the whole life). This was abolished as a result of a ruling in the European Court. In September 1991 seven per cent of Minimex receivers were 'foreigners' and this had risen to 11 per cent by January 1993.

Foreigners who are not entitled to the Minimex (mainly non-EU nationals or asylum seekers waiting for decisions) can claim a similar but more discretionary allowance (the 'social minimum' allowance). The law, however, prescribes only maximum amounts for this benefit (at the same rate as the Minimex), and the social welfare centres can give lower amounts at their discretion. In January 1993 there were 14,934 people receiving the social minimum allowance, of whom 83 per cent were asylum seekers. Apparently local authorities are sometimes inclined to give asylum seekers lower amounts in order to discourage permanent settlement in the area. and if the request for asylum is rejected. the allowance often ceases even though in law the recipient should be entitled to continuing help.

The rules for the Guaranteed Income for Older People are basically the same as for the Minimex and in 1993 around five per cent of the 112,000 recipients were 'foreigners'. For some of the other means-tested minimum benefits the residence or nationality conditions are slightly different. For the Disability Allowance, there are certain exceptions to the nationality rules, but there are no statistics on the percentage of claimants who are foreigners. For the means-tested family allowance there is no nationality condition, but there is a dual residence condition: both the child and its parent or guardian have to be living in Belgium and the parent has to have been living there legally for five years. There is no information on how many non-Belgian citizens receive this benefit.

None of the benefits are portable, and reciprocal agreements on social assistance generally only exist for the EU countries. For the older persons' allowance, however, foreigners resident in Belgium can qualify on the basis of a pension entitlement in a country with which Belgium has an agreement.

Duration of benefit entitlement

All the minimum benefits are available for unlimited duration as long as other conditions are met and resources are still insufficient. Analysing duration in receipt of the Minimex, Cockx (1992) found a high turnover: the average duration for men was around one year and for women 18 months; 93 per cent of men and 87 per cent of women had signed off after three years. In a study in the Flemish region, Dehaes (1994) found that recipients divided into two main groups -- those using it to cope with transitory low incomes and those who were in persistent poverty. Many of those who came off the Minimex remained at low income levels. There is no information available at present on the duration of claims for the other benefits.

Availability for work and labour market policy

For the Minimex, recipients generally have to be available for and seeking work, unless this is regarded as 'unreasonable', usually on grounds of ill health. The OCMWs have considerable discretion and lone parents in particular are often

exempted. Van de Velde (1990) found that lone parents had more difficulty than other Minimex receivers in finding work, but there is little information about special help provided by OCMWs. There are no limits on how many hours a recipient may work and receive benefit, as long as they are available to take up full-time work.

There has been increasing concern about the lack of integrative measures, particularly for young people. A 1992 measure called the 'Programme for Greater Solidarity in Society' introduced a compulsory 'integration contract' for people under 25, which they have to agree within three months of claiming. This involves counselling, training and other job-seeking activity, and failure to comply can result in partial or total suspension of benefit for one month. Repeated non-compliance can result in three months suspension. The contracts do not appear very successful at present. A 1993 survey of the municipalities found that only 37 per cent of young people had contracts and that sanctions were rare. Problems included lack of motivation among beneficiaries and a lack of time and resources in the OCMWs.

Another instrument to reduce dependency on social assistance is called 'social employment', whereby the municipalities themselves employ social assistance recipients. This scheme was evaluated in 1990, in a survey of 200 former 'social employees' (Van de Velde, 1990). Only 18 per cent of this sample remained completely or partially dependent on social assistance having completed their social employment. However, only eight per cent of the former social employees found a job immediately after their spell of employment. In total, 52 per cent remained in work after social employment. It appears that social employment can be considered as an effective instrument to reduce dependency on social assistance, but that reintegration into the labour market often remains problematic (Dehaes, 1994).

A study by Cappi and Delvaux (1990) concluded that replacement rates, particularly for heads of households with children, created an unemployment trap and discouraged people from accepting part-time or low-waged work. This study, however, applied to people receiving earnings-related unemployment benefits. The situation is less clear for people receiving social assistance, since much depends on how local OCMWs apply the rules: some appear to apply the legislation in a flexible way to individuals faced with a potential unemployment trap. The earnings disregards introduced for the Minimex are also intended to alleviate any potential disincentive effects.

The treatment of the self-employed

Formerly self-employed people can also claim the Minimex, but they may be obliged to stop their self-employed work in order to qualify. A survey by Garcia and Vendramin (1987) found that 10.5 per cent of recipients had been self-employed, most of whom had claimed because of bankruptcy. A similar study in Flanders (Lammertyn and Luyten, 1990) found that 30 per cent of recipient heads of households were or had been working as self-employed. Self-employed people make up around 12 per cent of the workforce and one reason for their relatively high representation among social assistance recipients may be that people whose businesses fail are not entitled to unemployment benefit.

The benefit unit

The unit of entitlement for social assistance is the claimant, a spouse or cohabiting partner and any dependent children -- basically the same as in the UK. There does not seem to have been any serious debate about disaggregation or individualisation of means-tested benefits. A child is counted as dependent up to the age of 18 years, or up to 25 if in full-time education. Adult non-dependants can claim separately.

Income and assets tests

Each of the four minimum benefits has its own means test and they *are* not co-ordinated. The Minimex test is the most stringent. For this, most income is taken into account, except for child benefit, other discretionary assistance payments made by OCMWs, study grants for the claimant or a child, war-related pensions or compensation, and gifts from people not resident with the claimant or with no maintenance obligations. Income from cash savings or *from* property is counted subject to disregards.

Income taken into account is set against benefit entitlement franc for franc. but in 1990 earnings disregards were introduced to improve work incentives, as follows:

- general income disregard of BF 12,500 per year for families with children (equivalent to around US\$27 or £17 per month in 1993 purchasing power parities), BF 6,250 for cohabiting couples without children and BF 10,000 for single people
- in addition, the first BF 6,500 per month of earnings from work are disregarded for the first year of claiming. This reduces to BF 5,500 in the second year and BF 3,200 in the third and last year.

Income from cash savings is counted by assuming a return on investments at a percentage interest rate which increases with higher levels of savings, as follows:

- BF 1-200,000 four per cent
- BF 200.001-500.000 six per cent
- BF 500.000 mm ten per cent.

These calculations provide an annual figure which is then divided by 12 for a monthly 'tariff' income figure.

Land or real estate property is counted as bringing an annual imputed income of nine times the *revenu cadastral* (roughly equivalent to the UK rateable value), but where the property is a family home the first BF 30,000 (US\$775 or £487), plus an extra BF 5,000 for each dependent family member, are disregarded before the calculation takes place.

In 1986, 27.4 per cent of all recipients and 19.6 per cent of people under 25 years received less than full benefits on the basis of having other income which counted for the means-test (Garcia and Vendramin, 1987).

The resources counted are basically those of members of the benefit unit or nuclear family, and for the Minimex, people of the opposite sex are treated as a cohabiting couple if in practice they share the household management and resources. There appears to be relatively little special scrutiny of lone parents' living arrangements.

There has, however, been a debate about recovering social assistance from relatives, and this debate gained momentum in the early 1980s. Since 1974 OCMWs had been permitted to claim back Minimex payments from spouses and direct relatives of one generation in each direction (that is, the parents or children of claimants). In 1983 a royal decree was passed obliging OCMWs to recover payments, but this met strong opposition and was later toned down, largely restoring autonomy to the Centres. A survey of 224 Flemish OCMWs in the mid-1980s found that only about one per cent of assistance expenditure was claimed back from relatives, and other studies indicated that returns from the recovery process were barely exceeding the administrative costs of implementing it (Lambrechts and Dehaes, 1986).

Assistance benefits other than the Minimex mainly have somewhat more generous means-tests, as shown below:

Rerenu Garanti pour Personnes Agees: the global income disregard is BF 12.500 per year for the head of household. For a single person without children this is BF 10,000. In addition, ten per cent of retirement pensions are disregarded, as is the value of the claimant's home. Finally there is a further annual disregard of BF 1,200 if the claimant only has non-housing property.

Types of income not counted are:

- family allowances
- child maintenance and alimony to ex-spouses
- public or private assistance
- disability allowance
- war pensions.

Allocation pour Handicapes: the Disability Allowance has three elements. For the first two (income replacement and integration allowance), entitlement is based on an annual income tax declaration. If this has not been made, there is a more specific examination of resources. The global monthly income disregard is BF 12,500 (around USS323 or £203) for a claimant with dependent children, BF 10,000 for single people and BF 6,250 for cohabiting couples without children. The first BF 60,000 per year of a spouse's or cohabitee's income is also disregarded. If both partners are disabled half of their joint income is taken into account and half the disregard is applied. Up to BF 44,000 of retirement pensions are also disregarded along with up to BF 300,000 of the claimant's net earnings from work if they are only entitled to the integration payment. Finally, the *first* BF 120,000 of notional income from the disabled person's house is not counted, and this can be increased by BF 10,000 for a spouse and each dependent child.

The third element is a care allowance for older people. For this, all income is counted except:

- w family allowances
- w any charitable payments or supplementary assistance
- maintenance payments from parents or children
- war pensions
- the income replacement element of disability allowance, or integration payments for a spouse or cohabitee.

Allocation Familiale Garantie: this benefit is rather different in being targeted only towards those with particularly low incomes. It is paid on a sliding scale against income as follows:

- Annual net family income less than BF 76,574 (around USS 1,980 or £1,242) - full benefit
- w BF 76,575-83.715 three-quarters
- w BF 83,716-90.856 -- half
- w BF 90,857-97,997 - quarter
- w Above BF 97,997 - no entitlement.

There is no real co-ordination of the schemes, but the Minimex is the system of last resort. Thus, in general the other benefits (apart from child allowances) count as income for the Minimex, rather than the other way round.

Child maintenance

In September 1989 a system for making advance payments of child maintenance was introduced for divorced or separated parents. Payments are administered by

the local OCMWs. The entitlement to advance maintenance arises when the joint income of the custodial parent and any dependent children is less than BF 30,000 per month (around USS775 or £488) and the parent with maintenance obligations has defaulted for at least two months in the year preceding the claim. The income threshold below which entitlement to advance payments arises is higher than the levels for the Minimex and the guaranteed family allowance, so recipients of these benefits are likely to have access to the advance maintenance facility. Since January 1991 the maximum advance payment has been BF 4,000 (USS103 or 1.65).

OCMWs are obliged to attempt to recover advance maintenance from liable parents, though they can only do this if their income remains above the Minimex level after the maintenance is reclaimed. Ninety per cent of the costs of unrecoverable maintenance payments are met by central government rather than the municipality.

The number of children benefiting from this arrangement has increased more than tenfold since 1989. to an estimated 3.328 in 1993 (Ministry of Social Affairs, 1994). In 1991 the average monthly maintenance order made for children receiving help under the scheme was BF 3,895 and the average amount of advance maintenance paid was BF 3,214.

Benefit levels

1. *Disability Allowance:* As noted above. Disability Allowance has three elements - income replacement, integration allowance and care allowance for older persons. The 1993 monthly rates are given below in Belgian Francs, with the approximate US dollar and pounds sterling purchasing power equivalents.

a. income replacement

| | BF | \$ | £ |
|------------------------------------|--------|-----|-----|
| Couples with children/lone parents | 25,471 | 658 | 414 |
| Single people | 19,103 | 494 | 310 |
| Sharers | 12,737 | 329 | 207 |

b. integration allowance

This is paid as an annual lump sum, calculated according to the claimant's degree of ability to operate independently on an 18-point scale. Below point seven the claimant is judged sufficiently independent and no allowance is paid. Above this level payments are made in four categories.

| | BF | \$ | £ |
|-----------------|---------|-------|-------|
| 1. 7-8 points | 31,449 | 812 | 511 |
| 2. 9-11 points | 107,166 | 2,769 | 1,742 |
| 3. 12-14 points | 171,238 | 4,424 | 2,783 |
| 4. 15-18 points | 249,471 | 6,446 | 4,054 |

c. care allowance for older persons

Again, this is an annual lump sum calculated according to the claimant's level of independence. The scale is different, however. No allowance is payable below the nine-point level and there are three payment categories.

| | BF | \$ | £ |
|-----------------|---------|-------|-------|
| 1. 9-11 points | 102,585 | 2,650 | 1,667 |
| 2. 12-14 points | 124,727 | 3,223 | 2,027 |
| 3. 15-18 points | 146,862 | 3,795 | 2,387 |

2. *Guaranteed Family Allowances:* These have three elements: the child allowance, the age addition and the maternity grant. The rates are the same as for the children of unemployed or retired people.

| | BF | \$ | £ |
|--------------|-------|-----|-----|
| First child | 3.733 | 97 | 61 |
| Second child | 5.415 | 140 | 88 |
| Third child | 7.045 | 182 | 115 |

Age additions for each child were as follows:

| | | | |
|-------------------------|-------|----|----|
| 6--11 years | 869 | 23 | 14 |
| 12-15 | 1,327 | 34 | 22 |
| 16 + (first child only) | 1.623 | 42 | 26 |

The lump-sum maternity grant in 1993 was BF 33.205 (US\$858 or £540) for the first birth and 24.983 (L\$646 or £406) for subsequent births.

3. *Minimex*: The monthly adult rates for the Minimex in 1993 and 1994 are shown below in Belgian Francs, with Dollar and Sterling equivalents based on 1993 purchasing power parities. Child additions are paid through the guaranteed family allowances.

| | BF | | \$ | | £ | |
|-----------------------|--------|--------|------|------|------|------|
| | 1993 | 1994 | 1993 | 1994 | 1993 | 1994 |
| Single person | 19.486 | 19.709 | 504 | 509 | 317 | 320 |
| Couple or lone parent | 25981 | 26.279 | 671 | 679 | 422 | 427 |
| Sharers (per person) | 12.991 | 13.140 | 336 | 340 | 211 | 214 |

4. *Guaranteed Income for Older Persons*: The rates for this benefit are basically the same as for the Minimex, except that *any* eligible lone parents are treated as single people rather than as couples.

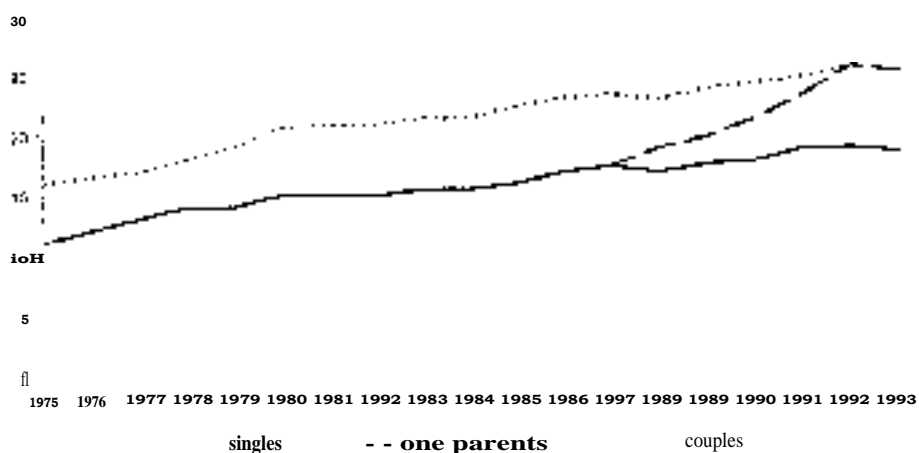
When the Minimex was established in 1975 the rates were taken from the already existing guaranteed income for older persons. Until 1988 lone parents were paid at the same rate as single people, and from then until 1992 they received a supplement. Now they are treated as couples, *and* this is perhaps the only aspect of the equivalence scale which has been particularly controversial.

Overall, social assistance payments have been regarded as relatively low in Belgian terms and they are generally below the minimum levels for social insurance benefits. The exceptions to this are some insurance benefits for the self-employed and the non-earnings-related unemployment benefits for young people leaving education. The numbers of people in both these groups receiving the Minimex have increased in recent years (see below).

Minimex levels have, nevertheless, increased in real terms since the early 1980s and the gap between social assistance and social insurance has become smaller. In 1980, for example, the minimum unemployment benefit for a single person was 135 per cent that of the Minimex, whereas in 1994 it was *only* 105 per cent. Figure 4.1 shows the growth of Minimex payments in real terms from 1975 to 1993.

In addition to any special increases, benefits are automatically uprated annually by the retail price index, though in 1994 a new index was introduced which excludes rises in the cost of spirits, cigarettes and petrol. The new 'health index' produces a lower uprating factor overall, but in May 1994 both social assistance benefits and the minimum unemployment benefit for heads of households and single people were increased by more than the index as a compensation.

Figure 4.1 Growth in benefit rates for the Minimex, at 1993 prices (thousands of Belgian francs)



Source: Centre for Social Policy, 1993

Other assistance-linked means-tested bene

These are primarily the older persons, disability and family assistance benefits described above.

One-off and urgent payments

The general assumption is that a top-up of income through social assistance should allow people to meet all their normal day-to-day needs, including housing and medical costs. Supplementary assistance can, however, be paid at the OCMW's discretion to meet special or urgent needs. There is little information available about how this system actually operates, but one study found that in January 1989, 12 per cent of people in receipt of one of the social assistance benefits had also received one-off payments, which averaged between I3F 9,500 (around USS241 or £145) and BF 10,500 (Lammertyn and Luyten, 1990). The most important category of payments (around one-third of all payments) was for energy costs, including heating bills, special winter support, deposits for utility connections and arrears. Payments were also made for medical expenses, rent arrears and deposits, school trips, telephone bills and connections, insurance premiums and other arrears. Interest-free loans can also be made instead of grants, at the discretion of the local Centres, and money advice and debt counselling may sometimes be a condition of receiving supplementary payments.

It appears that this system is generally uncontroversial, partly because it involves relatively few people. In some of the larger municipalities, guidelines have been established but even the most discretionary decisions are subject to appeal.

Administration and the claiming process

The local Centres (OCMWs) which administer the Minimex are organised on a municipal or district level and directed by a Council for Public Assistance whose members are chosen by the elected councillors for the area. Elected councillors can comprise a maximum of one-third of the Council. The Council is empowered to nominate a permanent secretariat to deal with day-to-day decision making, as well as special sub-committees, but in small districts members of the Council may be more directly involved. As well as administering the benefit itself, OCMWs deal with a range of services, both material and non-material, and preventative as well as 'curative', aimed at ensuring a decent standard of life for residents.

Claims for the Minimex can be made in person or in writing to the local Centre by the claimant or by someone else whom the claimant has designated in writing as

their representative. The claim must be formally recorded by the Centre and a written acknowledgement given to the claimant. If the situation requires it, immediate help should be given, though this need not necessarily be in the form of cash. The Centre must then appoint a social welfare assistant to carry out a 'social inquiry' to assess the claim, during which the claimant or representative has the right to give evidence. The Centre must reach a decision on the claim within 30 days and communicate it to the claimant within a further eight days. Any payments are backdated to the date of the claim. The written decision should specify the amount of benefit and the method and frequency of payments.

The first payment would normally be 15 days after a decision has been reached. They may be at weekly, fortnightly or monthly intervals and can be by postal order, by girocheque from the municipal bank or by credit transfer to the claimant's bank account, at the discretion of the OCMW.

Claimants are supposed to report any change in their circumstances, but the full means test for the Minimex only takes place annually unless there is suspicion of fraud. Consequently the probability of coming off benefit increases substantially after precisely one year.

It seems clear that local OCMWs have considerable discretion even within a national system, though this applies more directly in the supplementary assistance schemes than in the Minimex itself. There is, therefore, a degree of geographical variation which is tolerated up to a point because of the principle of local autonomy. It also means that there is only limited information available on actual practice within OCMWs. Luyten (1993) found that OCMWs seemed to be taking an increasingly firm line on claims from certain groups, especially young men and refugees.

There can be problems of delay in reaching decisions on claims because these are supposed to be decided by the politically-appointed OCMW Council, which in some areas meets only once a month. Delays *can* be avoided by delegation of powers to the Chair *and/or* to social welfare workers to make interim payments, sometimes on the day of the claim. No figures exist, however, about the average times taken to process and pay benefits, or about any performance targets employed by different Centres.

Although there are obligations on OCMWs to attempt to recover payments from family members who are liable to offer financial support, there is little information about other forms of recovery, such as that of overpayments. Deductions and direct payments are not common practice, though it depends on the local OCMW and these methods may be used in individual cases.

Although there is some discussion about the prevalence of certain kinds of fraud, there is no evidence on the extent of it. There is no national policy on fraud, but Luyten found that local social workers took seriously their responsibility to avoid meeting fraudulent claims and carried out substantial checks on claims.

One group for whom access to assistance has traditionally been particularly difficult is homeless people. Until 1993 homelessness was an offence in Belgium and homeless people could be detained and sent to Internment Centres. Because they were not resident in a particular locality, homeless people were not entitled to the Minimex, but the OCMWs were authorised to pay discretionary supplementary assistance, either in cash or in kind. It is suggested, however, that local Centres often refused to do this and tried to pass people on to other areas. Since 1993 a homeless person leaving a hostel or Internment Centre has a right to register with the municipality of their choice, who are then obliged to pay them the Minimex, with an additional transitional *1112* supplement to cover the costs of obtaining housing. OCMWs can now also apply to take over private property which has been empty for more than six months, for use by homeless people. The Federal Internment *Centres* are being closed down, though welfare organisations have

argued that the programme of closure is not backed up with sufficient resources or with clear plans for integration of long-term homeless people.

Until 1992 there were two different procedures for appeal against decisions of OCMWs concerning social assistance. For the Minimax, an appeal had to go to the Labour Court, which also deals with social insurance and other social assistance schemes. Appeal against decisions on supplementary assistance had to be lodged with special 'appeal courts' or tribunals, which existed in each region. Because this dual system was often confusing for claimants, it was replaced in 1992 (as a part of the 'programme for greater social solidarity'). This abolished the appeal courts and gave jurisdiction for all assistance appeals to the Labour Court.

Three recent studies (van Huffel, 1990; Bodart and Dijon, 1990; Huysse *et al.*, 1991) found that appeals to the Labour Courts could be slow and cumbersome (taking up to five months), but that they provided a superior level of legal justice to the special appeal tribunals. The studies recommended that waiting periods and costs should be reduced.

The role of non-governmental organisations II: 'GOs' in social assistance

NGOs are active more in the welfare rights lobbying field than in the direct provision of money or services. There are two particular movements of 'the poor' themselves: the Fourth World organisation (*Vierde-Wereld* or *Quart Monde*) and the *Beweging van Mensen met een Laag Inkomen en Kinderen* (Movement of People with Low Incomes and Children).

Quart Monde in Belgium is part of the international organisation founded by Pere Joseph Wresinski in 1957. The movement is particularly active in the French-speaking part of the country and its main interests are in housing, health, education and culture. In 1992, when a new Belgian coalition government was formed, a representative of ATD was consulted along with representatives of other social and economic organisations (such as trade unions, employers and farmers).

The *Beweging van Mensen met een Laag Inkomen en Kinderen* (BMLIK), which is particularly active in the Flemish Region, aims to organise the long-term poor against exclusion from society. It demands that the living standards of the poorest are taken as a measure for evaluating and orientating the well-being of society. It concentrates on issues such as non-take-up of benefits (mainly child allowances and social assistance) because of administrative complexity, housing problems and the placement of children from poor families in institutions.

Both *Quart Monde* and BMLIK were involved in the drawing up of the first General Report on Poverty (*Koning Boudewijnstichting, 1994*), which was set up by the Federal Minister of Social Integration. This may be seen as a form of official recognition of these movements.

Two other organisations in the Belgian 'poverty lobby' should probably be seen as more directly influential at present than the grassroots movements. The first is the King Baudoin Foundation, which publishes reports and organises conferences in order to draw attention to the problem of poverty. The Foundation co-ordinated the General Report on Poverty. The second is the Catholic organisation *JLelkijnsorg*, which belongs to the influential *Caritas* movement. Its main concerns in recent years have been the circumstances of asylum seekers and housing policy (homelessness, disrepair and tenancy problems).

4.4 Housing assistance

Although a number of OCMWs are prepared to pay supplementary social assistance to their clients in order to meet part of their housing costs, rent subsidies are not a full part of the Belgian social assistance system. Belgian housing policy has aimed primarily to encourage households to acquire their own houses. Subsidies thus go mainly into bricks and mortar. There is also a smaller social

rented sector for lower-income families, but rents are only loosely related to incomes.

The fact that there is no generalised housing benefit system means that the scale rates for social assistance have to be viewed differently from those of systems where separate housing benefit schemes exist. An average rent for a one-bedroom flat in Antwerp in 1992 was estimated as BF 8,030, which represented almost 43 per cent of benefit for a single person.

4.5 Trends in expenditure on social assistance

Expenditure on the four main social assistance benefits has grown, along with the numbers in receipt and with improvements in the scale rates. By far the greatest expenditure is on the disability allowance, though the costs of the Minimex have grown slightly faster. Expenditure on social assistance has also been growing as a proportion of the overall social security budget, though it is still relatively small. There is no information available on the administrative costs of the benefits or on local expenditure on supplementary assistance.

Table 4.1: Expenditure on social assistance in Belgium, 1980-1992, annual prices in Belgian Francs (millions)

| | 1980 | 1985 | 1990 | 1991 | 1992 |
|--|--------|--------|--------|--------|--------|
| Minimex | 801 | 2,352 | 3,865 | 4,235 | 4,784 |
| Disability assistance | 9,938 | 16,737 | 27,608 | 31,184 | 32,117 |
| Aged persons assistance | 4,186 | 6,948 | 8,715 | 9,469 | 9,527 |
| Family assistance | 32 | 255 | 541 | 590 | 620 |
| <i>Total social assistance</i> | 14,957 | 26,292 | 40,729 | 45,477 | 47,048 |
| <i>Social assistance expenditure:</i> | | | | | |
| • as a percentage of all social security expenditure | 1.9 | 2.2 | 2.9 | 3.1 | 3.0 |
| • as a percentage of all government expenditure | 0.4 | 0.6 | 0.6 | 0.7 | 0.7 |

Note: Purchasing power parities for 1992: BF 1 = US\$0.3 and £0.02

Source: Cantillon and Vleminckx, 1993

4.6 Trends in claimant numbers

Table 4.2 below shows the numbers of people receiving social assistance benefits over the period 1980 to 1994.

Table 4.2: Recipients of social assistance, February 1980-1994

| | 1980 | 1985 | 1990 | 1991 | 1992 | 1993 | 1994 |
|--|---------|---------|---------|---------|---------|---------|---------|
| Nlinimex | 25,135' | 43,774' | 48,895 | 51,507 | 32,263 | 56,978 | 62,322 |
| Disability assistance | 98,345 | 102,102 | 166,405 | 178,969 | 195,332 | 183,923 | 188,645 |
| Aged persons assistance | 62,757 | 75,072 | 105,216 | 108,945 | 107,694 | 111,978 | 110,809 |
| Family assistance | 510 | 2,843 | 4,744 | 4,411 | 4,865 | 5,085 | 5,768 |
| Supplementary social assistance (Flanders region only) | | | 31,000' | | | | |

1981

1986

1989

Sources: Cantillon et al., 1994; Andries, 1994

The provisional estimate of Minimex recipients in February 1994 was 62,332 - a nine per cent increase over the previous year.

There was a substantial increase in recipient numbers since 1980 for all benefits, but especially for the disability allowance (though the number of people receiving this benefit has been falling again since 1992). Vastmans (1994) has suggested four

main causes for the increase in disability claims. First, a number of people who previously received the Minimex have transferred to the disability benefit, which has a less stringent means test. Secondly, the reduction in the minimum age for entitlement from 25 to 21 has brought more young people into the scope of the benefit. Thirdly, the increase in benefit rates has brought in more lower-income disabled people. Finally, in 1987 child benefits for disabled young people were restricted to those under 21 (previously under 25), while the disability benefit became available to those 21 and over. Thus, more people in this category will have found themselves entitled to social assistance.

The Government has responded to this increase by proposing that Child Benefit, Unemployment Benefit and Invalidity Benefit should no longer be disregarded in the means test. It has also announced that a new (presumably more stringent) system of disability evaluation will be introduced.

In January 1992, 58 per cent of Minimex claimants were women, of whom around one-third were lone mothers. There is, however, no information on the long-term trend of benefit receipt by lone parents because before 1988 they were not categorised separately from single people. Altogether, families with children make up just over a quarter of recipients, but a detailed recent breakdown by family type is not available. Table 4.3 gives a breakdown of recipients in 1986 by family type and sex.

Table 4.3: Recipients of the Minimex in 1986, by family type and sex (percentages)

| | Men | Women |
|-------------------------|-----|-------|
| Single person | 49 | 36 |
| Couple without children | 10 | 3 |
| Couple with children | 14 | 5 |
| Lone parent | 2 | 38 |
| Sharers | 20 | 16 |
| Others | 5 | 2 |

Source: Garcia and Vendramin, 1987

Nearly 18 per cent of recipients in 1991 were young people under 25. Table 4.4 gives a breakdown of young recipients by region.

Table 4.4: Numbers of young people receiving the Minimex, 1992, and percentage of total recipients by region

| Region | 18--20 years | | 21-24 years | |
|----------|--------------|-------|-------------|------|
| Flanders | 1,214 | 6.2 | 1,093 | 5.6 |
| wallonia | 3,139 | 12.01 | 2,771 | 10.6 |
| Brussels | 237 | 5.7 | 320 | 7.8 |
| Belgium | 4,590 | 9.2 | 4,184 | 8.4 |

Source: Cann on and vleinckx_ 1993

Overall, the percentage of the total workforce receiving a Minimex payment was around 1.6 per cent in 1990. This figure is derived by calculating the percentage of recipients of the Minimex aged less than 65 (83.8 per cent) and dividing it by workforce numbers from OECD historical statistics (OECD, various dates). This may, however, be an underestimate because Minimex recipients are family units not necessarily individuals. Including those receiving disability and guaranteed family allowances, the percentage rises to 7.5 per cent. This may, in turn, be an overestimate as, although recipients of Disability Allowance would normally transfer to the Guaranteed Income for Older People at age 65, those who were awarded the income replacement element before reaching 65 continue to receive it. No data are available on how many recipients of Disability Allowance are over 65.

Using data from household and population surveys, it is possible to estimate the percentage of different population groups receiving social assistance. In January

1992 there were 10,708 lone parents receiving the Minimex out of an estimated total of 154,000. making the proportion of lone parents on social assistance around seven per cent (Andries. 1994).

Table 4.5 shows the proportion of people over pensionable age receiving the guaranteed income for older people since 1980. Although it has increased substantially it is still relatively small.

Table 4.5: Number and percentage of people over pensionable age receiving Guaranteed Income for Older Persons. 1980-1994

| | 1980 | 1985 | 1990 | 1993 | 1994 |
|--|-----------|-----------|-----------|-----------|-----------|
| Number of older persons receiving Guaranteed Income ¹ (A) | 78,159 | 82,889 | 119,928 | 127,828 | 126,079 |
| Number of older persons ² (B) | 1,606,829 | 1,651,598 | 1,767,524 | 1,848,079 | 1,874,440 |
| (A):(B) | 4.8% | 5.0% | 6.8% | 6.9% | 6.7% |

¹ Singles + (couples x 2)

² Men over 65, women over 60

Source: Adries. 1994

There seem to be a number of reasons for the increase in the number of people claiming the Minimex:

- higher benefit levels -- more people becoming eligible for supplementation
- possibly higher take-up because the benefits have become more attractive and well-known
- tightening of eligibility conditions for unemployment benefits and greater use of sanctions against people not actively seeking work
- the lowering of the age of majority (and thus entitlement) to 18
- earlier separate household formation by young people
- higher youth unemployment
- increase in divorces and lone parenthood
- increased number of refugees and asylum seekers
- increase in business failure and bankruptcy among the self-employed.

Take-up

The question of take-up of means-tested benefits is not one which has been extensively researched in Belgium, but there are indications that some of the problems exist which are familiar from research in other countries. In a study based on interviews with social welfare workers and other social security officials, Baert (1990) found that the majority of staff interviewed thought there was a take-up problem with the Minimex, caused mainly by people's lack of knowledge of the benefit and their reluctance to undergo a means test. In another study Cockx (1992) found that nearly 64 per cent of recipient families with children interviewed were not receiving child allowances. There were also recipients who were getting less than their full entitlement because their family type was wrongly categorised.

Overall, however, social assistance remains a fairly small and residual element of the Belgian social security system, though one which is growing in significance.

4.7 Policy issues

Benefit levels

Social assistance rates in Belgium have never been based on a scientific estimate of adequacy but on political decisions, and there is no official poverty line. In spite of

the steady increase in the rates of the Minimex, commentators have nevertheless suggested that it is insufficient to raise all recipients out of poverty. In 1987 the Government was advised by an official Commission for Security of Subsistence of the Poorest to set a poverty line (*Interdepartementale Werkgroep, 1987*). The Commission recommended the following percentages of average per capita national income for different family types:

| | |
|------------------------------|----|
| single retired person | 52 |
| retired couple | 70 |
| single person of working age | 57 |
| couple of working age | 75 |
| plus increases for children: | |
| each child under 4 | 16 |
| each child 4-14 | 24 |
| each child over 14 | 34 |

The Government did not implement these proposals. Table 4.6. compares the poverty lines proposed by the Commission with the legal standards (Minimex amounts) for 1992. Minimex amounts were considerably below the proposed 'official' poverty lines.

Table 4.6: Proposed poverty lines and Minimex amounts 1992 as a percentage of per capita national income

| | Commission poverty line | Minimex 1992 |
|----------------------|-------------------------|--------------|
| single older persons | 52 | 41 |
| elderly couple | 70 | 54 |
| active single | 57 | 41 |
| active couple | 75 | 54 |

Source: Cantillon et al., 1994

Young people

There is a continuing concern in Belgium about the economic position of young people. Since the lowering of the age of majority in 1990, people under the age of 21 have become entitled to the Minimex and in 1993 they made up just over ten per cent of recipients. This group includes young people receiving unemployment benefit at a lower rate than the Minimex and others who have lost entitlement to insurance benefits because of leaving education before completing their studies. Generally they tend to be poorly qualified and face problems securing employment. A third category of young recipients include students in higher education, whose entitlement to benefit, as we have seen, is a matter of varying interpretation between different OCMWs.

It is argued that there is a conflict between supporting disadvantaged young people and potential abuse of the system by older or more well-off students and, furthermore, that there is a danger of some of the more disadvantaged young people becoming trapped in dependency. The integration contracts referred to above are seen as a way of combating this danger, but as yet they are not proving very successful.

Refugees and asylum seekers

Belgian social security experts consider that in most ways the social assistance arrangements conform to or exceed the European Union recommendations on minimum levels of social protection. One area where there is some doubt, however, is in the treatment of nationals of countries other than Belgium and other EU members. Asylum seekers in particular are often in a precarious situation and may have to depend on incomes lower than the legal minimum.

Local discretion

The problems for non-EU citizens arise partly from the considerable discretion given to the local OCMW s who can to some extent make their own social assistance policy. The diversity of practices which stems from these powers is consistent with other pluralistic and decentralised aspects of Belgian society and appears to be widely accepted, though it is regarded by some social security experts as problematic.

4.8 Recent and forthcoming changes

Recent changes relevant to social assistance have included:

- s lowering of the age of majority from 21 to 18 years, so that young people from the age of 18 can claim the Minimex (1990)
- e abolition of the previous residence' condition (1992)
- introduction of work incentives, described above (integration agreements, increase in earnings disregards. 'social employment') (1990-1992)
- a construction of lone parents as a new category of Minimex receivers so that they receive the couple rate (1987)
- ✓ introduction of advance payments for maintenance (1989)
- s abolition of the 'permanent residence condition' affecting homeless people (1993)
- ✓ increase in guaranteed family allowances. Initially, the means-tested Guaranteed Family Allowance provided the same benefits as the self-employed scheme, which has rates lower than in the main child benefits. In 1985 the guaranteed allowances were raised to the level of the employee scheme and in 1987 to the level of child allowances for retired and unemployed heads of household. Since 1984 the rates for guaranteed family allowances increased five-fold in real terms, whereas the value of child benefits in the employee scheme decreased by four per cent.

The 1980s were a period of financial austerity in Belgium. Social insurance benefits were cut, while contributions from employees and employers increased. However, social assistance recipients have largely been protected from these cuts and benefits have even increased. Consequently the differences between amounts of (minimum) social insurance benefits and social assistance benefits narrowed. According to Cantillon, however, cuts in the social insurance system have not in themselves had a major impact on the numbers claiming social assistance.

In autumn 1993 a new austerity programme (the Global Plan) was introduced, aimed at restoring competitiveness, promoting employment and redressing the financial balance of the social security system. It is planned that social security expenditure will be reduced by one per cent of GDP by 1996 and revenue increased by nearly half of one per cent. This is to be achieved by, amongst other measures, lengthening the base period for pensions and harmonising the pension age between men and women, and lengthening the period during which school leavers are not entitled to unemployment benefits. Initially it was also proposed to reduce family allowances and to raise insurance contributions from single people and childless couples, but after some protests these proposals were abandoned in favour of a general 'solidarity contribution' to social security. The reductions will again not directly affect social assistance recipients, though the extension of the waiting period for unemployed school-leavers may increase the number of young Minimex recipients. For most school-leavers the period will now be nine months, and unemployed school-leavers who are heads of family or who live alone (*only* a small proportion) will, if they have insufficient means of subsistence, have to claim social assistance.

4.9 Overall performance

Overall, social assistance appears to have a high level of legitimacy in Belgium, although this is modified by the division of recipients into different population groups, some of whom may be regarded as more deserving. Administratively it is highly complex, which might be expected to reduce take-up, but the evidence on this question is limited. *The* local administration and discretionary element appears to present some problems of geographical variation and the lack of information about local practice makes it difficult to know whether, for example, homeless people or refugees receive equitable treatment. The treatment *of* homeless people appeared until recently to be particularly coercive and even now much depends on being registered with a municipality, as in the Poor Law tradition.

Work incentives and integration policies are not regarded as being particularly effective at present, although turnover on the Minimex is quite high.

Treatment of refugees and other 'foreigners' has been highlighted as one of the main problem areas. There are also certain gaps in coverage, such as that *of* young people under 18, though there is little research about their situation. Currently some older men who retire between 60 and 65 without a full insurance benefit cannot get the guaranteed income for older people and have to turn to the Minimex, which has a tighter means-test. However, a Bill is going through Parliament which should remove this problem.

Finally, social welfare campaigners and researchers argue that benefit rates are still too low to guarantee an adequate standard of living. Rates seem high compared to the UK, but only before taking into account housing costs.

Chapter 5 Canada

5.1 Background

Demography

Canada is geographically a large country with a relatively small population for its size. This was 28.4 million in 1992 (OECD, 1993a). The fertility rate was around 1.6 at the beginning of the decade (UNICEF, 1991) - slightly below the OECD average - but the population of working age is expected to remain stable until 2011, after which it will decline.

In 1991 lone parents represented 16.4 per cent of all parents (OECD, 1993b). Their numbers almost doubled between 1974 and 1981, but have increased slowly since then. Sixty-one per cent of all families headed by a lone parent are in the lowest income quintile, as compared to 32 per cent of 'one-earner' two-parent households, and 12 per cent of those with two earners (OECD, 1993d).

Employment and the economy

The world recession of 1990/1991 has been followed in Canada by an unusually slow recovery. The Canadian business cycle is traditionally linked to that of the USA, but although both began to experience recovery in spring 1991, Canada's growth rate was considerably slower than that of the USA and has only recently begun to catch up. It was not until well into 1993 that real GDP reached its previous peak, recorded in the first quarter of 1990. Inflation, however, reached its lowest level for three decades in 1993 (1.5 per cent). The unemployment rate has been stable but relatively high, at 11.1 per cent in 1993 compared to an OECD average of 7.8 per cent (OECD, 1994a). Unemployment would be even higher were it not for a decline in labour market participation rates which took place in the early 1990s as more young people remained in full-time education, 'discouraged' workers took early retirement and more women stayed at home to care for children. In spite of the fall in participation rates, these remained somewhat higher than both European and OECD averages, at an estimated 83.4 per cent for men in 1992 and 67.9 per cent for women (OECD, 1993c). Lone parents have similar rates of labour market participation to married women, 64 per cent and 69 per cent respectively, but lone parents are much more likely to be working full-time. As there are financial advantages for lone parents in working part-time and claiming benefits, the reasons for high full-time participation are not clear, but may be related to the availability and cost of child care (OECD, 1993b).

Long-term unemployment has also been increasing: as a proportion of all unemployment it nearly doubled between 1982 and 1985 and has continued to rise steadily since then (OECD, 1993d). However, people out of work for a year or more still only made up 11.2 per cent of all those unemployed in 1992 - well below half the OECD average of 28.6 per cent (OECD, 1994a). As in the USA, it appears that while there is a high risk of becoming unemployed, there is also a relatively good chance of finding work again quickly. This is partly connected to a high rate of new job creation, although most new jobs created have been part-time (60 per cent in 1993) and there has been a rise in 'involuntary' part-time working, from 11 per cent in 1975 to 35 per cent in 1993 (Human Resources Development Canada, 1994a).

The political framework

Canada is a federal state, with substantial powers devolved to its ten provinces and two territories. Until 1993 there was a Conservative government, but the Progressive Conservatives were all but wiped out in the last election, leaving the Liberal Party with a large majority in the House of Commons. The distribution of power and responsibility between the provincial and federal governments is a topic of continuing political debate and controversy, *which* was heightened by the accession to power late in 1994 of a nationalist government in Quebec.

5.2 **The social** security system

The origins of Canada's contemporary social security system lie in the Depression of the 1930s and the period following the Second World War. Today the social security system comprises a wide range of provincial, federal, and joint federal-provincial programmes. Among the most important schemes are:

- Unemployment Insurance (UI), introduced in 1942 and expanded significantly in 1971. Until 1990, nearly 90 per cent of the unemployed were covered by UI, but due to increases in unemployment and restrictions to UI since 1990 this percentage has dropped to 58 per cent in 1995. UI also includes maternity, parental and sickness benefits.
- e Child benefits, principally the Child Tax Benefit (including the Working Income Supplement), which replaced Family Allowances and other tax measures in 1993. These are income-tested. Additional programmes exist for children in several of the provinces.
- e Old-age pensions, first instituted in 1952. Federal Old-Age Security (OAS) provides a basic non-contributory income for people over retirement age (65). Guaranteed Income Supplement (GIS) (introduced in 1967) is also payable to OAS recipients with little or no additional income. Spouse's Allowance (SPA) provides a minimum payment for spouses, aged 60-64, of OAS pensioners whose income is below certain levels. Since 1989, OAS payments only have been partly clawed back from better-off recipients through the tax system. A range of further top-ups to these benefits is available from the provinces.

Earnings-related pensions, based on compulsory contributions and covering retirement, disability and death, are also available through the Canada Pension Plan, and the separate Quebec Pension Plan (both introduced in 1966).

- ® The Canada Assistance Plan, created in 1966 to support provinces in the provision of social assistance and social services.

In addition, there are substantial programmes, on a federal and provincial level, of support for children, disabled people and veterans, post-secondary education and student loans, and for job creation. Excluding pension provision, the projected federal social security budget for 1994/95 was S(Canadian)38.7 billion, of which approximately 40 per cent is for Unemployment Insurance and related employment programmes, 13 per cent is for Child Tax Benefit, 17 per cent is for educational programmes and 22 per cent is for the Canada Assistance Plan (Human Resources Development Canada, 1994b).

A fundamental overhaul of the social security system was initiated with the 1994 and 1995 federal budgets. With the implementation of the 1995 budget legislation, fiscal federalism will give way to a 'mega-block fund' (devolution of responsibility and corresponding - though reduced - funding to the provinces via cash transfers and percentages of income tax revenues). The impact of this new structure on social programmes is explored later in the chapter.

5.3 Social assistance

Introduction

Each of Canada's ten provinces and two territories" designs, administers and delivers its own social assistance programme to persons with insufficient income. Entitlement is based on a needs test¹⁴, which takes into account the assets and income of the applicant's household and its basic needs (food, clothing, shelter and utilities, household necessities and personal needs), as defined in provincial legislation. Provinces also establish various administrative and categorical eligibility requirements for those applying for benefits.

The Federal Government does not administer assistance programmes directly. However, under the Canada Assistance Plan it contributes towards the cost of approved expenditures incurred by the provinces and municipalities in the provision of such assistance. Most provinces administer a single, unified social assistance programme. Long-term benefits are distributed from the provincial Department of Social Services, or its equivalent, while short-term benefits and emergency assistance are provided by local or regional offices of that Department. In Manitoba, Ontario, and Nova Scotia, the provincial authority grants assistance where the client falls within a category which has been characterized as contributing to long-term need, while each municipality is responsible for providing support to its residents who are in short-term need, such as unemployed, 'employable' persons. These three provinces are regarded as having a 'two-tier' social assistance system.

In addition, the federal Department of Indian Affairs and Northern Development is responsible for social assistance to native Canadians living on reserves. Programmes are delivered either by the provincial government or a native agency (depending on the province) in accordance with the prevailing social assistance rules and regulations of that province. The Department of Indian Affairs and Northern Development covers the entire cost of such assistance.

Legislative and regulator; rarnet-ork

At the time the research for this report was carried out, the Canada Assistance Plan (CAP) and the regulations established under its authority set a framework for federal contributions towards approved social assistance programme costs, and those of other specified services and programmes. As has been stated above, this structure is set for a major overhaul and a substantially reduced federal presence in social assistance is likely to lead to dramatic reductions in levels of provision at the provincial level. The following description is of the system up to 1995, and the planned changes are mainly discussed at the end of the chapter.

The federal legislation does not govern provincial programmes themselves: rather, it sets certain cost-sharing conditions which provinces must respect to obtain a federal contribution towards their costs. In order to qualify under CAP, a social assistance programme must meet the following criteria:

- eligibility must be based solely on the needs test
- no minimum period of residence in the province or in Canada may be imposed as a condition of eligibility, and

Throughout the rest of this chapter, all references to provinces will include the two federal territories (Yukon and Northwest Territories).

^a There are three main types of financial eligibility tests used in Canadian financial assistance programmes. They are:

-- the **needs test**: takes into account assets, income, and needs, as defined in provincial legislation (social assistance programmes):

the **income test**: based solely on the income of each applicant; benefit levels set by legislation, but not based on specific needs (for example, federal Guaranteed Income Supplement for needy seniors); and the **means test**: as in income-tested programme, but also includes an asset test (for example, Manitoba's Child Related Income Support Programme).

- the programme legislation must include provision for an appeal mechanism for applicants and recipients who feel dissatisfied by a decision relating to their case.

The Canada Health and Social Transfer, which is scheduled to replace CAP in 1996/97, will retain only the second criterion, concerning residence.

Agreements signed with each province in the area of social assistance and federal guidelines on assistance provide further conditions respecting the federal contribution (for example, how much a province may offer by way of asset and *earnings* exemptions). Provinces which choose to exceed certain CAP guidelines are responsible for the costs they incur as a result.

Each province has a social assistance statute and one or more regulations established under its authority. The three two-tier provinces have separate legislation for their provincial and municipal programmes - either two distinct statutes and their respective regulations, or (in Manitoba's case) a provincial statute with separate provincial and municipal regulations. In Nova Scotia and Manitoba, each municipality or county establishes its programme under a by-law in accordance with provincial regulation, while Ontario municipalities administer basic social assistance in accordance with the provincial *General Welfare Assistance Act* and Regulations.

Although provincial social assistance policy is rooted in statutes, regulations and policy manuals, there are many programme areas where administrative discretion plays a significant role. Depending on the province, this discretionary authority may be delegated to the caseworker, the area manager or the provincial social assistance director and could include:

- discretion to approve a grant of emergency assistance without full verification of a client's circumstances
- discretion to grant an administrative exemption of the value of certain assets exceeding exemption levels (pending their disposal at fair market value)
- discretion to waive recovery of overpayments or to reduce the rate of recovery where undue hardship would otherwise result
- authority to decide whether employable clients are making reasonable efforts towards self-sufficiency (either by seeking and accepting suitable employment, or availing themselves of reasonable training opportunities)
- discretion to impose sanctions ranging from benefit reductions to suspension of benefits where an employable client is clearly not making any attempt to achieve self-sufficiency
- discretion to grant certain types of special assistance (such as allowances for the replacement of household furniture).

The provincial social assistance systems show wide variation in benefit levels, the range of necessities which are provided for on a mandatory basis and, to a lesser extent, the conditions of eligibility. Within provinces with two-tiered administration, benefits can also vary by municipality. To some extent these variations may be seen as relating to regional differences in living costs, but they also reflect prevailing 'welfare climates' and different provinces' or municipalities' ability to finance the schemes. There is some concern about inequities (people in similar circumstances treated differently), and more recently there have also been concerns expressed about inward migration to provinces with more generous rates of social assistance. However, others see provincial variation as a potentially rich source of experimentation (Richards, 1994).

Financing provincial social assistance has become considerably more contentious in the present fiscal climate. Under the terms of the Canada Assistance Plan, all

eligible costs are shared equally between the federal government and the provinces. However, in 1991, the federal government, arguing that it should not be held responsible for expenditures over which it had no control, 'capped' spending in what are considered to be the wealthier provinces of Ontario, Alberta, and British Columbia.

Policy objectives

The Preamble to the Canada Assistance Plan contains a statement that the provision of adequate assistance to persons in need and the prevention and removal of the causes of poverty and dependence on public assistance are the concerns of all Canadians: the Parliament of Canada ... is desirous of encouraging the further development and extension of assistance and welfare services programmes throughout Canada by sharing more fully with the provinces in the cost thereof.

Provincial social assistance statutes do not contain any preamble. Most include a reference to the granting of assistance to 'persons in need', a notion which is defined in provincial regulation and which contains inherent objectives, because each province tailors its needs test in accordance with its own political, economic and fiscal objectives. Quebec's *Act Respecting Income Security* is the only provincial social assistance statute which actually identifies four specific income security objectives:

- S to grant last resort financial assistance to persons whose means are insufficient to provide for their needs and the needs of their families
 - a to grant such assistance taking into account the fact that the situations of persons presenting severe limitations in their capacity for employment differs from that of persons who are fit for work
 - S to promote entry or re-entry into the labour market of persons who are fit for work and, concurrently, provide for persons already on the labour market or in a programme of studies an incentive to remain in the labour market or in a programme of studies, and
- to provide additional financial support to low-income families with dependent children if at least one adult member is in the labour market.

Conditions of entitlement

1. *Financial eligibility:* In general terms, the only eligibility requirement for social assistance is need, regardless of cause. The needs test involves a comparison of each household's financial resources with its needs. First, the total value of the household's non-exempted assets is established and compared with sets of budgetary maxima which are set by provincial regulation and relate to different household types. These allowable levels vary across provinces and, within any given province, for different client categories. If assets do not exceed allowable levels, then the client household's income from non-exempted sources is compared with needs. Social assistance may be granted where a budget deficit exists - that is, where the cost of needs exceeds the non-exempted financial resources of the household of the applicant or recipient. In some provinces, the cost of regularly-recurring special needs may be added to basic needs for needs-testing purposes. Assistance is also available in some provinces where the needs test reveals a budget surplus (that is, non-exempted income exceeds needs) which is insufficient to cover the costs related to special requirements or unexpected situations: for example, an applicant may be eligible for an amount of social assistance sufficient to cover only the cost of a particular non-insured health service or a social service, such as a home-help, provided the person is otherwise eligible.

2. *Administrative eligibility:* In all provinces, social assistance legislation provides for certain basic administrative requirements in the establishment of an applicant's initial eligibility. Depending on the province and the circumstances of each case, an applicant may be required to:

- submit a duly completed application (usually on a prescribed form)
- ® provide evidence as required in support of the application for assistance. such as proof of age, a medical certificate to confirm disability, a separation agreement, bank books, pay cheque stubs
- S meet with a case worker to discuss the financial and social situation of the household (this requirement may be waived in some cases, such as emergency and short-term assistance)
- o provide written permission to the administering authority to verify any statement made in the application and any supporting documents concerning financial resources or any other circumstance of the household, and
- agree to report any change in circumstances that might affect eligibility or the amount of assistance to which the household is entitled. such as the death or departure of a family member or additional income from work or other sources.

3. *Categorical eligibility:* Applicants are categorized according to the reason they are requesting assistance, aside from financial need. Client categories may vary from province to province. the main ones being the aged, disabled people, lone parents and unemployed 'employables'. Specific conditions of initial and continuing eligibility exist in all provinces for certain categories. For example:

- a single parent is required to pursue an absent parent concerning his or her right to child maintenance payments, or to allocate that right to the government
- o an 'employable' person must agree in writing to accept suitable employment or to engage in training or other measures to reach a state of job-readiness.

Under normal circumstances, a person may apply for social assistance in his or her own right at the age of majority (18 or 19 years of age, depending on the province). In difficult circumstances, usually related to family breakdown, a young person approaching the age of majority who leaves the parental home may be independently eligible for assistance as a single person.

Residence and nationality

Residence in a particular province for a minimum period is not a condition of eligibility for social assistance, except in Nova Scotia, Ontario and Manitoba, where municipalities are responsible for the delivery and a portion of the cost of short-term assistance. In these provinces, an applicant's period of residence is a determining factor only with respect to which municipality or level of government is responsible for the cost of any assistance granted to that person and any dependants.

Under the federal Immigration Act, sponsored immigrants and nominated relatives are generally not eligible for social assistance unless there is a breakdown in income support from the sponsor or nominating relative. Refugee claimants are eligible for assistance as soon as they submit a claim for refugee status, or when their claim is decided upon, depending on the province. In the latter case, emergency assistance (minimal income assistance to prevent undue hardship) may be granted pending a decision on the claimant's request for refugee status. Emergency assistance may also be granted in most provinces (in extenuating circumstances) to other non-nationals who are ineligible for regular assistance based on the merits of each case.

Normally, clients can receive social assistance benefits only at their usual place of residence. 'Portability' of benefits to another province or country occurs only where the client has a valid reason for being absent, such as an approved special medical treatment or educational programme. A client who moves to another

province may apply for social assistance in that province, subject to the normal eligibility requirements.

Under the terms of the Canada Assistance Plan, which the provinces must meet in order to obtain a share of the costs of social assistance from the federal government, need is the only criterion for eligibility. In Ontario, for example, all residents (including refugee claimants), are eligible, except those who are subject to a deportation order. However, provinces may view certain groups as not being 'in need', for example, people on strike or currently self-employed, although they may be eligible for emergency assistance. In Ontario, homeless people fell into this category (in order to avoid fraudulent duplication of claims at different social assistance offices) until recently, when rules were amended to allow payments of assistance to persons registered with a social agency, such as a half-way house for people leaving institutions or a hostel for homeless people.

Duration of benefit entitlement

There is no time limit to social assistance entitlement, provided that the applicant's household remains eligible in accordance with the appropriate regulations.

Availability for work and labour market policy

Social assistance programmes include a number of measures designed to promote the entry or re-entry into the active labour force of able-bodied unemployed people. These measures may include different exemption levels on assets and incomes, different benefit levels and a wide range of employment support services and programmes, some of which can be compulsory. Some provinces require employables, depending on their circumstances, to sign and adhere to an individualised contract that stipulates training and rehabilitation measures to be undertaken in order to regain financial independence. As a general rule, assistance may be granted to unemployed employable applicants only when the administering authority is satisfied that:

- S any current unemployment is due to circumstances beyond the person's control
- S the person is willing to accept suitable employment or to engage in academic upgrading, retraining or other measures to reach a state of job-readiness, and
- S the person is making reasonable efforts to secure employment.

Treatment of lone parents and people approaching retirement age varies greatly. In some provinces, a lone parent is considered 'unemployable' (and expectations concerning employment or training are waived) until the youngest child in the household reaches 12 years of age. At the other extreme, some provinces require single parents actively to seek and accept employment or training opportunities as soon as the youngest child in the family is six months old. Most Canadian provinces have recognised that unemployed people over 50 (or 55, in some places) are at a disadvantage in the labour market, and they tend to relax job search requirements for clients above that age bracket.

Some provinces require employable clients to agree to submit written confirmation of active job search as a condition of continuing eligibility. Others provinces require them either to re-apply for assistance each month (and thus to report on a regular basis concerning their attempts to find work) or to submit a specific list of employers contacted or interviews attended. In some cases, the administering authority may stipulate the minimum number of such contacts or interviews per month (depending on the economic circumstances of the province and the personal situation of each employable client).

Each province's social assistance legislation contains a list of possible sanctions which may be imposed where an employable client refuses or abandons work or

training which is deemed to be appropriate to that client's situation. These potential sanctions include suspension, reduction or termination of benefits. The actual level of enforcement of these sanctions varies across provinces. Within each province, they are enforced with more or less vigour, depending on the prevailing economic, political and labour market realities. Quebec is the only Canadian province which applies its regulated sanctions¹ systematically in all cases of refusal or abandonment of work.

Many provinces have special employability enhancement measures which are offered to people at different stages of job-readiness. These might include remedial education courses, on-the-job training, and community works projects. These special measures are not compulsory and clients who participate usually receive supplementary assistance in recognition of the extra costs they incur, including child care and transportation.

The Federal-Provincial Agreements on Enhancement of Employment Opportunities for Social Assistance Recipients (also known as the 'four-cornered agreements') were signed in the mid-1980s by the federal departments known as Health and Welfare Canada^s and Employment and Immigration Canada, and the provincial departments responsible for social assistance and labour markets. Under the terms of these agreements, federal funds were diverted from the Unemployment Insurance programme and CAP in order to facilitate the entry or re-entry of employable social assistance clients into the labour force. The agreement provided for increased participation levels by claimants in federal training programmes and pilot projects to improve job-readiness. Changes were also made to CAP to allow federal cost-sharing of certain provincial enhancements to their earnings exemption policies and their provisions concerning supplementary assistance to clients in their transition to work. All federal-provincial agreements are still in effect in 1995.

The federal and provincial governments provide a wide range of programmes and services to help Canadians improve their skills and employment prospects. Some of these initiatives include higher participation targets for social assistance clients: for example, a particular training programme may designate a certain number of available spaces for social assistance recipients.

There are no limits on social assistance recipients working_ except that net earnings may reduce benefit entitlement where they exceed exemption levels allowed by the province or territory.

Concern with the increase of 'employables' on the caseload has been central to the development of a variety of labour market and integration measures. 'Employables' increased from one in three of all recipients in 1980 to one in two in 1993 (Human Resources Development Canada, 1994a). There is increasing interest in the labour market participation of lone mothers, but there has been little research on the dynamics of social assistance use, partly because of the lack of available longitudinal data and the problem of varying reporting systems from twelve different jurisdictions. Such studies as there are show considerable variation in duration and are difficult to compare because of different time frames and types of analysis. A study which examined social assistance for Nova Scotia and Quebec between 1982 and 1986 found that almost half of the recipients remained on social assistance in each of the five years (Economic Council of Canada, 1992). Recent studies from British Columbia, using data from 1980-1992, found that the average duration on assistance (first spell) by single mothers was 11 months, approximately double that of singles and couples. However, more than half (57 percent) of these

A benefit reduction equal to \$1W/month is applied the first time an employable client refuses or abandons employment or loses his or her job without valid reason. A further reduction of \$100/month (not applicable to lone parents) applies where a second such refusal, abandonment or loss of employment without valid reason takes place within 12 months of the first occurrence.

Since late 1993, the welfare mandate of Health and Welfare Canada has been combined with the employment (and unemployment insurance) mandate of Employment and Immigration Canada in the new Department of Human Resources Development.

cases returned to the caseload within two years (Bruce, 1994). Ontario, using a 'snapshot' of the caseload in 1992, reports an average duration of three years for single mothers on its 'long-term' assistance programme (this therefore over-estimates the duration for all single mothers), and approximately nine months duration for the unemployed (Mercer, 1994). Prior to the recession, the average length of time for the unemployed on the caseload was six months (SARC, 1988). In Ontario, data on repeated spells are only available for the 'long-term' caseload between 1975 and 1986 and indicate that over that period 13 per cent of disabled people and 27 per cent of single mothers returned at least once (Evans, 1987). An interesting trend is reported by Dooley (1994b), whose cross-sectional data on the general population of lone mothers suggest that those under the age of 25 are increasing their use of social assistance while those over 34 are becoming more reliant on earnings.

Evaluating the success or failure of policies or programmes to reduce long-term dependency is never an easy task, and is particularly difficult in a time of deteriorating labour market conditions. Attention to the employability of single mothers has been evident in Canadian policy longer than in Britain (Evans, 1992) and across Canada every province or territory provides some or all of the initiatives listed above. Single mothers were an important focus of the federal-provincial 'employability enhancement' agreement of 1985, which was designed to expand employment opportunities for social assistance recipients through better access to federal training programmes and to increase access to employment-related provincial pilot projects. Lone mothers were also the target of federal-provincial experiments with wage supplements. Nevertheless, the initiatives that have been evaluated show, in general, disappointing results. A federal evaluation of the training programmes found that participants had higher average earnings and spent more time in work, but over five years the estimated savings in welfare payments did not offset the costs of the programmes (NCW, 1993a). An Ontario evaluation of employment programmes for single mothers found evidence of modest positive effects, but these declined over time and did not reduce the likelihood of repeated spells on social assistance (Porter, 1991). Evans (1994a) argues that to achieve greater effectiveness, programmes will need to pay more attention to decreasing the obstacles in the labour market, recognizing the changing nature of employment and addressing the lack of child care.

The benefit unit

Eligibility is established on a '-household' basis. A household may consist of a single person, a married or cohabiting couple with or without children, or a lone parent with one child or more¹. The applicant, his or her spouse and any dependent children, as well as any other person residing in the household, are included in the benefit unit for the purpose of calculating *benefit* entitlement (though other adults would often be considered as separate households, and thus the Canadian benefit unit is not in practice dissimilar to the more common 'family' unit). Depending on the province, assistance may be paid to the person who applies, to his/her spouse (where the recipient is unable to manage the household budget), or to both spouses jointly,

Same-sex couples must generally apply as two separate households sharing accommodation. Different provinces consider a number of factors in determining whether two adults living together should be considered as man and wife, including:

- parenthood (a child or children born to those two adults)
- financial interdependence (such as joint credit cards or bank accounts)
- family interdependence (couple presenting themselves in the community as man and wife)

¹ It should be noted that, in Canada, 'case' has the same meaning as 'household'.

- 'official' shared residence (public records show the same permanent address for both adults).

Since 1987, Ontario has harmonised its social assistance and family law provisions. There, a spousal relationship (and hence, an economic interdependency) is not deemed to exist until the applicant has resided continuously with a person of the opposite sex for a period of three years (except where they become the parents of a child, in which case they are *considered* a couple from the date of the child's birth). During the cohabitation period, however, the other adult is deemed to be contributing an amount to the client's household for room and board, and the client's entitlement is reduced accordingly.

Any adult applicant who is sharing accommodation with a person or a family who is not included in that applicant's household for needs-testing purposes must apply in his or her own right, and benefit levels are reduced according to provincial formulae. Where two or more such households are applying for, or in receipt of, social assistance, the shelter allowance (see 5.4 below) paid to each household sharing the accommodation is an appropriate proportion of the actual shelter cost, subject to shelter allowance ceilings'. An adult applicant who is boarding receives a lower (board and lodging) allowance than if the person is in a fair-market rental situation; where the applicant is providing board and lodging to a non-recipient, an amount is included in the applicant's non-exempt financial resources as board and lodging income, whether or not that income is actually received.

The applicant's household for needs-testing purposes includes any child who is ordinarily living with him or her and towards whom the applicant has a maintenance obligation. Any amounts received by the applicant for the child's maintenance, for example, a contribution by a child's natural parent(s) received by a grandparent who is actually caring for the child, or an adoption subsidy, are considered as non-exempted income for the household.

With respect to foster children under provincial child welfare programmes, foster care allowances and additional coverage for special needs cover all needs of the foster child. There *are* also children in the social assistance system who are being cared for by someone other than a natural parent (usually a relative), because their natural parent is unable or unwilling to provide for their care. In such cases, eligibility for social assistance is established for the child in his or her own right, and payments are made to the guardian on the child's behalf.

A dependent child is one who has not reached the age of majority (18 or 19, depending on the province). In most provinces, a child who reaches the age of majority and who is either disabled or attending an approved educational programme, may continue to be regarded as a dependent child, for social assistance purposes, if it is in the best interests of the clients involved.

The debate that exists about who can claim social assistance centres primarily on the use of the individual or family basis for determining eligibility and who is considered 'family' for benefit purposes. Some members who would like to be considered 'family' are excluded (gay and lesbian couples, for example), while others who might not wish to be considered family are included (in most provinces, cohabiting single mothers). Increased attention to gender discrimination, and concern about challenges to the 1982 Charter of Rights and Freedoms, have led two provinces (Ontario and Quebec) to abolish the 'man in the house' rule and extend individual eligibility to women who *are* living with men, as long as certain circumstances apply. As explained above, in Ontario, individuals of opposite sex residing in the same household are not legally obliged to support one another until a child is *born* or they have lived together for a three-year period; in Quebec, it is a one-year period. Feminists generally support a full individualisation of entitlement,

" This provision does not apply to Quebec and New Brunswick, because these two provinces use a different benefit calculation method.

but this has not been on the policy horizon (Eichler, 1988). In Ontario, the benefit can be paid to either adult in a two-parent, non-disabled household.

The age at which young people *are* eligible for social assistance in their own right is also subject to some debate. In Ontario, employable people of 16 and 17 are eligible for welfare in their own right only if they live away from home because of 'exceptional' circumstances (such as severe abuse or complete breakdown in family relations). Unemployable 16 and 17 year olds living at home were eligible for social assistance in their own right until April 1994: they are now eligible in their own right only at 18. Quebec has also changed its regulations regarding the terms and conditions under which younger recipients are considered independent of parental support.

Income and assets tests

The needs test takes into account the income and assets of all members of the household who are included for benefit calculation purposes. It consists of a two-part process determining the financial resources of each applicant's household. The first part involves determination of liquid and fixed (property) assets to establish whether the household is asset-eligible: the second involves comparison of the applicant's non-exempted income with the needs of his or her household, in accordance with regulations established under the province's social assistance act or similar statute.

Income from all sources is examined in the calculation of entitlement to social assistance. Whether through programme regulations or policy guidelines, each province stipulates how specific types of income are considered, in order to ensure that all applications are treated in the same manner. Some types of income, such as workers' compensation benefits and retirement pensions and, in most provinces, child maintenance or alimony payments, are defined in legislation or policy as 'unearned' and thus available in full to meet current maintenance needs. The net effect of unearned income is to reduce the amount of social assistance payable dollar for dollar. Other types of income, including the federal Child Tax Benefit^s, Child Welfare payments to foster parents and some special donations from charitable organizations (for example, to replace furniture lost in a fire) are totally exempted in most provinces in the calculation of financial resources. The household's social assistance entitlement is thus unaffected. Partial exemptions on earned income are allowed to encourage attachment to the work force.

Partial exemptions are also allowed in some provinces on income from other sources such as room and board or property rentals. Part-time employment earnings of dependent children attending school and *irregular* income or casual earnings of other members of the household are totally or partially exempted, depending on the province. In the determination of financial eligibility, a welfare authority may include imputed income in a household's financial resources, even though that household is not actually receiving money *from* any particular source. The most common examples of income imputation are situations where the applicant is living rent-free in return for janitorial services, or as a result of shelter payments made by an absent or deserting spouse directly to a landlord, or where an applicant's excess property is deemed to be producing regular income.

In most provinces, a person or family may receive social assistance while awaiting benefits from another programme such as Unemployment Insurance (UI) - or a lump-sum payment of unearned income. Because the needs test takes into account all current and anticipated income, including non-exempted benefits and payments covering previous periods, client households may be required to sign an agreement to reimburse some or all of their social assistance covering those periods once they receive the benefit or payment.

Except in Saskatchewan - an_ where a portion of the benefit is considered as assessable income.

Nova Scotia's provincial social assistance programme (the Family Benefits programme) uses gross income as the amount against which earnings exemptions are calculated. All other provinces use a net income formula, allowing deductions for income tax (except under Manitoba's provincial Social Allowances programme) and other compulsory deductions, including contributions towards Unemployment Insurance and the Canada Pension Plan (or the Québec Pension Plan, for residents of that province), union dues and private pension plans. In addition, clients attempting to integrate or reintegrate into the labour force are generally granted deductions for the (approved) work-related expenses they incur.

Each province establishes by regulation the definition of liquid and fixed assets, as well as the exemptions allowed against those assets. Where an applicant's non-exempted liquid assets exceed allowable levels, the excess amount must be expended in a manner approved by the social assistance authority (i.e. to cover legitimate budgetary requirements) before eligibility for social assistance can be established. Where the value of non-exempted fixed assets is higher than allowable levels, the applicant may be required to dispose of the excess property at fair market value within a certain period of time as a condition of eligibility; a time-limited administrative exemption for the property is usually granted in such cases. In some cases, income is imputed from the excess property, as if it were money in the bank, generating interest. Such imputed income attracts no exemption in the needs-testing process, so that the client's entitlement is reduced dollar for dollar.

Certain exemptions are allowed with respect to liquid assets, and the property of an individual or family applying for social assistance, but any non-exempted assets are deemed to be available for current maintenance of applicants and their dependants. In all provinces, asset exemption levels vary in accordance with case classification (employable, disabled, etc.) and the size of the applicant's household. The highest asset exemption threshold in 1994 across all provinces applies to disabled persons and is \$3,000 for a single person (around US\$2,400 or £1,508) and \$5,500 for a couple (US\$4,400 or £2,764). For other client categories, exemption levels are lower, the lowest being the young, single employable person in most provinces.

Home-owners applying for social assistance are not required to sell a principal residence of reasonable value²⁰, household effects and a reasonably-priced car as a condition of eligibility. Assistance may be withheld, reduced or terminated where applicants or recipients have dissipated, spent, or otherwise dealt with their liquid assets or other property in an unreasonable manner, including assignment or disposition of property for insufficient compensation (in order to qualify for assistance or a higher benefit level).

Where the source of income is employment, a partial exemption on earnings may be granted on that income as an incentive for the individual or family head to gain or regain financial independence. The actual calculation of the earnings exemption varies between provinces. Some use a flat-rate monthly exemption (beyond which benefits are reduced dollar-for-dollar), while others allow for a flat-rate basic exemption plus a proportional exemption on any earnings exceeding the basic level – for example, \$100 per month plus 25 per cent of income exceeding \$100. Nova Scotia's Family Benefits programme (for cases likely to be on assistance for a prolonged period) allows a flat 25 per cent exemption on all earnings starting with the first dollar, but the exemption is applied against gross work income (other provinces use a net income formula).

In some provinces, the earnings exemption provision applies only *after* initial eligibility has been established, so an applicant's employment income may not be reduced using the earnings exemption in order to establish eligibility for social assistance. Income from self-employment, including child minding, is treated

²⁰ Québec is the only province which has established by Regulation the maximum market value of the home which an applicant or recipient may own without any reduction in his or her benefit level.

differently from wages or salaries in all provinces. Clients who provide child-care services in their homes may be allowed to offset expenses against gross income, and then apply the prevailing earnings exemptions to their net income (although some provinces allow larger deductions for operating expenses and no further exemptions).

Self-employed persons and farmers may qualify for assistance in most provinces, usually subject to a professional assessment of the viability of the business or farm operation and always in accordance with special rules concerning assets and income. Financial eligibility is based on current accounting practices with respect to asset valuation and calculation of net income. Some provinces have specific rules which apply to clients in these two groups, such as a maximum value on the client's equity in business- or farm-related assets. Exemptions for work-related assets are allowed in most provinces.

Benefit levels

Social assistance benefit levels are set by the provincial authority for all client categories in all provinces except Nova Scotia, where each municipality sets rates of assistance for employables (subject to provincial standards). In Manitoba, the province has regulated municipal assistance rates throughout the province since April 1993 under the Municipal Assistance Regulation. The City of Winnipeg, which accounts for close to 90 per cent of the municipal assistance cases in the province of Manitoba, pays a municipal supplement in addition to the provincially-regulated benefit.

Each province¹ establishes its own rate structure by regulation (or policy guideline, for some types of assistance). Actual entitlement varies according to the circumstances of each case, including client category, family size and composition, and type and cost of housing, unexempted income from various sources and other variables. Most provinces use a 'pre-added budget' approach, which combines non-housing needs under a single support allowance with housing-related costs paid separately up to specified maxima, while a few have chosen to grant assistance based on individual rate scales for each of the basic need components. Depending on the province, maximum 'shelter allowance' levels may be established at the local/regional level (based on prevailing rates in that area), or for the entire province. Variables affecting the amount of shelter allowance payable may include the number of beneficiaries in any given household, the type of case ('employable' or 'unemployable'), the type of living arrangement (home-ownership, tenancy, public housing) and the cost of heating fuel and utilities. In Quebec and New Brunswick, all basic needs including shelter are combined into a 'global' benefit; where actual housing costs fall short of minimum levels set by regulation in those two provinces, the difference is deducted from the household's social assistance entitlement.

Social assistance rate increases are based on cost-of-living increases, or in Quebec (for unemployables) in relation to the Quebec Pension Plan indexation formula. Provinces generally use *ad hoc* approaches to rate adjustments, whether by regulation stipulating that the Minister (or, in other provinces, the Lieutenant-Governor-in-Council or the Director of Social Assistance) shall determine the periods and the amount of such increases, or by tradition (such as annual rate increases based on various economic indicators). The 'basket of goods' approach and Statistics Canada's Low-Income Cut-Offs (LICOs), considered by some social advocacy groups as Canada's unofficial poverty lines, are not as relevant in the process as are changes in the Consumer Price Index and provincial programme and fiscal policies. Most provinces traditionally indexed their maximum social assistance rates once per year (at the beginning of the calendar year or the beginning of a quarter), but since the recession of the early 1980s all provinces have

² In Nova Scotia, municipalities set their own rates for basic and special assistance, and the province monitors these rates. In Ontario and Manitoba, the province sets standard rates for basic municipal social assistance by regulation.

frozen or even decreased their maximum rates of assistance -- especially for employable singles and childless couples - or delayed the implementation of a rate increase at least once.

Table 5.1 below provides sample maximum basic monthly social assistance rates for the two provinces which were chosen for the model family policy simulation exercise (see Volume One). They represent the largest province (Ontario) and the easternmost Atlantic province (Newfoundland), which has suffered particularly in recent years from high unemployment due to depleted fish stocks. Rates are given in Canadian dollars, with the rounded US dollar and sterling equivalents in purchasing power parities.

Table 5.1: Sample maximum monthly social assistance rate in two provinces, 1992 and 1993

| Client categories | Ontario | | | | | | Newfoundland | | |
|--------------------------|-------------|-------|-----|-------------|-------|-----|----------------|-------|-----|
| | May 1992 | | | May 1993* | | | May 1992/1993* | | |
| | Canadian \$ | US \$ | £ | Canadian \$ | US \$ | £ | Canadian \$ | US \$ | £ |
| Single employable person | 646 | 510 | 323 | 663 | 330 | 333 | 335 | 266 | 168 |
| Single disabled person | 911 | 723 | 456 | 930 | 578 | 467 | 542 | 430 | 271 |
| Single parent, one child | 1,188 | 943 | 594 | 1,221 | 977 | 491 | 913 | 725 | 457 |
| Couple, two children | 1,538 | 1,221 | 769 | 1,576 | 1,261 | 793 | 990 | 786 | 495 |

* Newfoundland social assistance rates have remained unchanged since April 1992 as a result of provincial budgetary restraints. Several other provinces also froze or even reduced basic and special assistance coverage during 1993. In June 1994 Ontario reduced its rates of assistance for basic needs to all couples (with or without dependants) by \$27 per month.

Although the differences between the social assistance rates in these two provinces are substantial -- the rate for a single employable in Newfoundland was only half that in Ontario in 1993 --- they do not necessarily represent the relative well-being of households on social assistance in Ontario compared to those of Newfoundland, because there are significant differences both in the cost of living in the two provinces and in programme coverage. Government sources also point out that the rates are not measurable against standards of adequacy, such as the Statistics Canada Low-income Cut-Offs, because these are not *comprehensive*. They do not include allowances provided under social assistance schemes for a wide range of special needs related to age, disability, employment, education and training (see below). They also do not include the benefits available through other provincial and federal programmes which are disregarded in calculating entitlements.

Income taxes and contributions to the Unemployment Insurance Fund and the Canada Pension Plan (or the Quebec Pension Plan, for residents of that province), are compulsory for most Canadians in the labour force. Social assistance clients who are employed are subject to the same deduction and contribution rules as any other worker, but work income is counted after deducting these amounts.

Social assistance clients are entitled to the same insured health service (physician and hospital services) as the rest of the population under the health insurance programme of their province---. Some non-insured health services (such as spectacles, dental services, and prescription drugs) are covered under social assistance in most provinces, although there are often restrictions which apply, especially to new clients or employables. Social assistance benefits *are* not taxable, but they are counted as income for some other types of income-tested benefits (such as the federal Child Tax Benefit).

Health insurance programmes are funded from General Revenue in all provinces except Alberta and British Columbia, where each household must pay a monthly premium for coverage; both provinces waive premium payments for social assistance client households.

Other assistance-linked means-tested benefits

Three Canadian provinces have separate means-tested programmes which are designed to help low-wage earners stay *in* the labour force.

Quebec's Parental Wage Assistance (PWA) programme provides incentives for workers with modest incomes *and* dependent children to remain in the work force, and for recipients of unemployment insurance or social assistance with dependent *children* to join or *rejoin* the work force. PWA offers a non-taxable, asset-tested supplement to employment income, reimbursement of a portion of eligible child-care expenses, where applicable, and special help with high housing costs. The maximum annual assistance available under these three components of PWA in 1993 ranged from almost \$5,800 (around US\$4,640 or £2,915) for a single parent with one child to over \$7,000 for a household comprising two adults and two children (assuming child-care costs of 52,500). For 1992, the corresponding range was from 55,299 to \$6,626.

Manitoba's Child Related Income Support Programme (CRISP) is an asset-tested and income-tested programme which provides non-taxable cash assistance to low-income families with dependent children under 18 years of age and eligible for the federal Child Tax Benefit. The maximum benefit of \$30 (US\$24 or £15) per month per child (unchanged in 1993 and 1994) was available to a family whose net income is 512,384 per year or less (the formula for deriving net income is different for CRISP benefits than for ordinary social assistance in the province). In determining financial eligibility, the calculation is based on total family income for the tax year immediately prior to the benefit year for which an application is made. CRISP benefits are considered as part of social assistance entitlement for eligible families, so CRISP is not payable as a supplement to social assistance.

Saskatchewan's Family Income Plan (FIP) provides asset-tested financial benefits to low-income earners with dependent children under 18 years of age. Since July 1993, maximum benefits payable are \$105 per month (US\$84 or £53) for each of the first three children and \$95 per month for the fourth and each subsequent child. Maximum benefits payable in 1992 were \$100 per month for each *of* the first three children and \$90 per month for the fourth and each subsequent child. FIP benefits are not taxable, and they are counted as part of social assistance entitlement for eligible families. Maximum benefits are payable to families where income is at or below \$8,700 per year (income is specifically defined in the regulations for FIP).

Fringe benefits and other concessions

In addition to financial assistance for basic needs, social assistance programmes cover a wide range of special needs and social services. Depending on the province, items of special need may include allowances and services related to age, disability, employment, education, training and other special circumstances. Social services (such as day care, home-help services, and counselling) are offered without charge to needs-tested clients of social assistance where such services are required, subject to availability. Social assistance does not automatically 'trigger' other benefits, but it may eliminate the need for needs-testing for other benefits (housing and child care subsidies, for example). In the case of low-income households not receiving social assistance, a sliding scale is used to determine the client's fee for such services using an income test.

All provinces also include provisions in their social assistance legislation for health and institutional needs. Examples of relevant types of assistance may include clothing allowances for persons in need of special care facilities, payment of health insurance premiums (in premium-paying provinces) and ancillary health-related benefits such as prescription drugs, dental care, optical care and prostheses. Not all provinces offer the same level of health-related coverage and this type of assistance is sometimes not available at all to certain categories *of* social assistance clients in

some provinces. Local property taxes are included in the shelter allowance of a client household which owns or is purchasing its residence.

One-off and urgent payments

The needs test used in establishing social assistance eligibility takes into account basic and special needs, including any valid emergency needs of an applicant's household. The considerable variation in rates across the country suggests that the assumptions about the range of needs considered valid to be met vary widely. Provinces vary, for example, in the extent to which telephones, babysitting, and transportation are considered items of 'special needs'. There are provisions in all provinces for special needs, but these discretionary programmes differ both in what can be covered and in ease of access. In the 'two-tiered' provinces, municipalities may also show wide variation. A 1990 Ontario study revealed, for example, that the average spending on short-term cases by municipalities ranged from \$49 to \$532 per year. The major reason given for this variation was financial - - some municipalities are able to afford more generous funding of programmes (Advisory Committee, 1992). Home repairs, necessary travel expenses, baby supplies and moving expenses are examples of items that may typically be covered by discretionary assistance.

A number of provinces also provide for back-to-school expenses, heating supplements, Christmas allowances and winter clothing allowances. In Ontario, social assistance recipients with children automatically receive an annual winter clothing allowance (\$104 per child); families with children of school age receive a back-to-school allowance (\$68 for ages 4-12; \$126 for 13+). In addition, there is an employment training start-up allowance of \$250, and a maximum annual grant of \$790 to cover the costs of moving, a month's rental and furniture, for those establishing a new residence.

In recognition of the higher costs of living in isolated, northern communities, several provinces pay higher basic assistance levels to clients in the remote regions. Depending on the province, emergency assistance and certain types of crisis grants may be recoverable from the client.

There is a fairly long tradition of making some provision for special needs, but certain one-off grants (employment start-up, for example) have been instituted recently. These benefits are increasingly vulnerable in the current fiscal climate, and many provinces are cutting back on the availability of special needs payments. This has not been an issue of general debate, although it is of concern to local and provincial anti-poverty organisations. The reasons for this comparative lack of controversy are not clear. Two possible explanations are, first, that the provincially-based and differentiated social assistance system may impede effective political organising; secondly, concerns about the adequacy of basic rates of assistance tend to overshadow the issue of one-off needs (Evans, 1994a).

Administration and the claiming process

Claiming: All provinces require applicants to apply for assistance using the prescribed forms (except in emergency assistance situations), and to submit their application in person at the nearest office of the administering authority. A case interview must take place as a condition of eligibility, either in the client's home or in the municipal assistance office.

Some provinces require a periodic formal re-application (for example, every month for young, single employables and every quarter or once per year for longer-term cases); others require some or all of their clients to return the stub of their cheque every month as part of an ongoing verification process (as a form of monthly claim renewal).

Claimants must report any changes in financial circumstances, such as receipt of income from work or another source or the acquisition or disposal of an asset;

changes in the household composition (family size): or any other change which might affect eligibility or the amount of entitlement.

Knowledge of entitlements: There is thought to be a generally high level of awareness of eligibility for social assistance and provinces provide brochures which outline, in straightforward language, the eligibility requirements. Legal aid clinics also produce leaflets which inform people of their entitlements and appeal rights. However, the complexity of the system makes it difficult for individuals to judge whether they are receiving the correct rates and all the pertinent benefits (NCW, 1987). In the three provinces which operate programmes at both the provincial and municipal levels, applicants also need to know to which level they should apply.

In some provinces special provision is made for people who do not speak the majority language. In several provinces, people are legally entitled to receive services in either English or French. In Ontario, leaflets also produced in a number of other languages (17 in total) and translation services are also available, *though* use of these *can* cause delays. Apart from issues of translation and publicity, there are more general issues of cultural sensitivity in relation to the delivery of social assistance. The application process may need to be made more responsive to the particular stigma felt, especially by women, in some communities. Respect for cultural values might also, for example, imply changes to rules governing assets so that they would not require the sale of family jewellery, which may be prohibited by custom (SARC, 1988). While social assistance is delivered in some areas in co-operation with native Canadian organisations, there is a significant push for greater self-government in this respect, not least because almost half (47 per cent) of the aboriginal population is *in receipt* of social assistance (Standing Committee, 1994).

Payments: Depending on the province (and often the circumstances of each case), benefits may be granted either monthly or semi-monthly in one or more of the following ways:

- cheque
- cash
- direct arrangement for goods and services
- voucher or authorisation
- direct deposit in the client's bank account.

Clients are usually given a choice of payment methods. There is a growing movement towards the direct deposit method (at least for long-term cases), since the automatic transfer of funds is simpler for the administrative authority and more convenient for the client. The least-favoured method is indirect payment (by voucher or third-party arrangement), which tends to be used mainly in short-term need situations or where the client is unwilling or unable to manage his or her financial affairs.

Some provinces require an initial visit by a worker to the home of the applicant as a condition of eligibility in certain cases. In recent years, the combined effect of decreases in the number of social assistance caseworkers and increases in caseloads across the country has made it difficult for clients to see their worker on any kind of regular basis in many Canadian provinces.

Deductions from benefit: As a general rule, provincial social assistance does not cover debt repayment or arrears of rent or fuel costs. Social assistance payments cannot be subject to 'garnishee' (that is, other debts cannot legally be recovered through assistance payments) for any reason. Once the budgetary requirements of the applicant's household have been established the maximum entitlement is subject to the following possible deductions:

- reductions where an employable client refuses or abandons suitable employment
- S reimbursement by the client of amounts received as assistance under the terms of an agreement while awaiting income from another source
- other deductions proper to specific provinces, and
 - recovery of social assistance overpayments (see below).

Overpayments: Every province has established procedures to recover any social assistance granted to a person who was not entitled to such assistance because of an unreported change in household income or other circumstances, accidental or wilful misrepresentation, or fraud. Overpayments are recovered by means of benefit reductions according to a variety of provincial formulae based on percentage of total entitlement or a monthly minimum reduction rate. Most provinces will consider reducing or deferring recovery where undue hardship would otherwise result.

Also, where it is reasonable to do so, most provinces will secure and pursue recovery of overpayments incurred by a client who subsequently leaves social assistance, as a debt owed to the Crown. Where a client dies, any overpayments owing to the Crown may be recovered from the person's estate.

Recovery of child maintenance: All provinces actively pursue ex-partners in situations where there is at least one child in the household of the single parent applying for social assistance. Lone parents must agree, as a condition of eligibility, to initiate or enforce child maintenance proceedings against the absent parent for child support payments, or to subrogate the right to do so to the Crown. There are a number of situations where the pursuit of child support would be waived, such as family violence cases or default by absent parents who are themselves recipients of social assistance. Where a couple have never married but are the natural parents of one child or more, the absent parent can be pursued for child support in the same manner as for a married couple separating or divorcing. In recent years many provinces have increased enforcement of child support orders and agreements by enacting or strengthening legislation permitting attachment of earnings and other forms of income. Pursuit of a former partner by a childless applicant for alimony or support is rare.

Fraud: The prevention and detection of fraud has become more of a preoccupation in provincial social assistance programmes in recent years, given the limited programme budgets and the caseload increases of the 1980s and the early nineties. A number of provinces have been increasing their efforts to combat fraud. Quebec's efforts attracted considerable attention in the late 1980s when it increased home visits as part of a welfare crackdown (NCW. 1992). More recently, Ontario hired additional staff to handle increased caseload monitoring and fraud detection. The province is requiring greater documentation of assets, income, and disability, and monthly reporting of household circumstances. However, it is argued that these changes in policy and practice have resulted primarily from efforts to reduce spending, rather than as a response to public concern. Nonetheless, the changes were widely reported in the press and the current economic climate undoubtedly exacerbates concerns about issues of 'fairness'.

Other provinces have also hired special staff to investigate suspected fraud cases: these are initiated in the normal case review process (monthly or annual meeting between the worker and the household head to review the circumstances of the case), or, in some cases, because of a complaint or statement from a member of the public. The scope and number of initial eligibility verification procedures have also been increased.

Measures used to control and detect fraud include the following:

- each application may be checked by two separate workers to ensure accurate establishment of eligibility (double verification)
- a** certain categories of clients (usually only employables) may be required to pick up their cheques in person as a condition of eligibility
 - * social assistance benefits may be deposited directly into a client's bank account, to reduce fraudulent reporting of lost cheques and to facilitate the identification of clients cashing cheques
 - s** information-sharing between jurisdictions and departments providing benefits under different programmes has become more extensive.

Many provinces have studied the question of identification cards, 'photo' cards and even fingerprinting as ways of decreasing the incidence of fraudulent applications for social assistance. However, none has thus far implemented such a system, largely due to potential court challenges on the basis of infringement of applicants' human rights. Applicants are required, as a condition of initial eligibility, to produce any piece of information which might be required to substantiate their declarations concerning assets, income and family circumstances, including birth certificates and social insurance numbers. They must also sign a form authorizing an officer to verify any information pertaining to their situation, including bank accounts and other investments.

The few existing studies place estimates of fraud at between two and four per cent of all social assistance cases. The major forms of fraud in Ontario, estimated in 1988, related to cohabitation, undisclosed income and undisclosed assets. A more recent report of municipal welfare suggests that the most common type of fraud is receiving welfare in more than one municipality. In metropolitan Toronto few cases are referred for criminal charges, but there is a high conviction rate of those referred. Suspected fraud within the social assistance system is treated very differently, and more harshly, than suspected tax fraud.

Appeals and scrutiny of administration: Under the present Canada Assistance Plan, all provinces must have appeal procedures relating to the refusal, reduction, suspension, or termination of benefits, but there is considerable variation in how this requirement is met. Some provinces have established limits on issues that may be formally appealed, while others allow individuals to question any determination bearing on their case. Appeal systems may consist of a provincial appeals board made up of several members appointed by the minister responsible for social assistance, a local review committee of a few community members, or both. In some provinces, the decision of the appeal body may not be final, depending on the nature of the appeal: the appellant may ask the provincial Ombudsman (where one exists) to intercede on his or her behalf, or challenge the decision in provincial court.

In all provinces, appellants can be represented by professionals or be accompanied by someone of their choice. Provision of interim assistance during appeals varies considerably: several provinces continue assistance to recipients during appeals, others provide it on a discretionary basis, on grounds of 'hardship' (NCW, 1987). Ontario has experienced a three-fold increase in appeals over the last few years - thought to have arisen from cutbacks in welfare assistance.

All federal government departments are subject to scrutiny or review by the federal Auditor-General's Office (an agency mandated to report on the efficiency and financial effectiveness of government operations). A similar monitoring function exists at the provincial level with respect to general government operations: depending on the province, this role belongs to the Auditor-General or the Provincial Auditor. In addition, the Ombudsman's Office (in those provinces where it exists) may play an advocacy role in cases of alleged discrimination. Since 1969, federal government social policies have been closely monitored by the National

Council of Welfare, an advisory body consisting in 1995 of some 20 Canadians¹ drawn from across Canada and appointed by the Governor-in-Council. The mandate of the Council is to advise the Minister (of Human Resources Development) in respect of such matters relating to welfare as the Minister may refer to the Council for its consideration or the Council considers appropriate'. Since the mid-1980s, the Council has produced several reports on social assistance which are submitted to the Minister and also released to the general public and the media.

The role of non-governmental organisations in social assistance

Scrutiny and review of social assistance programmes is also within the purview of a number of other groups outside the public sector, including:

- the National Anti-Poverty Organization (described below)
- ® a number of for-profit and non-profit organizations from the political left and the right, including the Fraser Institute, the C.D. Howe Institute, the Canadian Council on Social Development, the Caledon Institute of Social Policy, the G. Allan Roeher Institute and many others
- S University faculties, such as schools of social work or public administration (some of which produce journals and reviews in the area of public policy and social policy).

Voluntary organisations such as food banks and soup kitchens have grown rapidly in all Canadian provinces, especially since the economic recession of the early eighties. They have become an important source of supplemental assistance in Canada over the past decade. (Toronto is now said to have more food banks than McDonalds outlets.) Few of these organisations receive any formal and sustained² government funding, relying rather on public appeals and private arrangements with the food industry (wholesalers, supermarkets, and restaurants) for ongoing support.

As a rule, churches do not play a direct role in the provision or administration of social assistance: they provide some financial assistance on an individual basis in emergency situations, but their involvement in the field of social policy is more in the area of advocacy than programme delivery. Trade unions and business (Canadian Labour Congress, Chamber of Commerce, Canadian Business Federation) have become much more actively involved in the social policy field over the years, because of the growing acceptance of the notion that social and economic policy are inextricably bound together.

There is also a 'poverty lobby' in Canada consisting of local and provincial 'grass roots' organisations, advocacy groups, including legal aid clinics, and organisations with a primary focus on poverty research. During the 1980s, the number of groups³ grew, and many of them focused on specific target groups and issues. This led to greater efforts to foster cohesion (Haddow, 1990). There are three major 'players', all funded mainly or exclusively by government. The *National Anti-Poverty Organisation* (NAPO) is a coalition of some 100 grass-roots groups across Canada and is the major national non-governmental representative and advocate for social assistance recipients and poor people. Over the last ten years, NAPO has increased its credibility with government and the media. It is an 'umbrella' for a variety of other advocacy groups and coalitions of organizations at the local and provincial levels are common. Their methods include lobbying and consultation with⁴ government officials, and occasional protest activities. They act as 'watchdogs' with respect to any proposed changes that appear to have negative effects on social assistance recipients, and the larger groups also put forward their own proposals.

¹ The Council's membership has included past and present welfare recipients, public housing tenants, persons active in low-income advocacy groups, as well as professionals (lawyers, doctors, professors, social workers) and others involved in the area of social services.

Given the cuts to social programmes in recent years, the watchdog function has been most evident.

Two major organisations focus primarily on research, consultation and public education. The Canadian Council on Social Development also engages in advocacy but reductions in its federal grant have significantly reduced its activities and profile. The National Council of Welfare (described above) produces reports and recommendations on a variety of poverty-related issues, including annual assessments of the adequacy of social assistance allowances. The major issues taken up by anti-poverty groups have been increased income supplementation, and retention of universality, but with some disagreement about the appropriate mix between universal and targeted measures. Most recently, groups representing the poor have been active in the context of the reforms of social security in Canada, both in 1994 (in appearances before the Standing Committee on Human Resources Development) and in 1995, giving evidence to the Finance Committee studying the implementation of the proposed 'mega-block' funding for health, post-secondary education, and social assistance and services.

Despite the growth in the poverty lobby since the 1980s, it is regarded as relatively weak and fragmented, with little capacity to mobilize the poor (Haddow, 1990). While it is regularly consulted by government, this consultation is viewed as increasingly perfunctory and critics argue that the social policy agenda seems almost exclusively driven by economic concerns.

5.4 Housing assistance

The Canada Mortgage and Housing Corporation (a federal agency), and its provincial counterparts, provide a wide range of housing assistance programmes to the general population, including non-profit housing, rent supplements (a rent-to-income scale and adjusted household income are used to calculate eligible tenants' rent), residential rehabilitation assistance, special assistance for native Canadians, and emergency repair assistance. Some of these initiatives are joint (and cost-shared), while others are funded and administered entirely by one level of government.

The number of social housing units available for low-income households (*including* social assistance clients) varies by province. Because social assistance schemes cover actual housing costs up to maximum levels set by each provincial authority, clients of social assistance residing in social housing units do not actually receive supplementary shelter benefits beyond their normal social assistance entitlement. Clients residing in social housing are nonetheless generally better off than those in similar circumstances living in the open housing market, who often have to use part of their support (non-shelter) allowance to make up the difference between their shelter allowance and the actual cost of their accommodation.

The shelter allowance may be applied either to the cost of rent or mortgage payments; the amount granted is based on the actual cost of shelter up to a maximum stipulated in regulation or policy. In Quebec and New Brunswick, the shelter allowance is a fixed amount which is established administratively in relation to prevailing shelter costs. Some provinces have specific rules that apply in those situations where a client is paying off a mortgage, such as requiring the person to reimburse the government for any increase in his or her equity in the home while on assistance.

There are two sources of potential disincentive effects arising from the treatment of housing costs. First, shelter allowances, as part of the social assistance benefit, are at least partly related to actual housing costs (in the Northwest Territories there is no ceiling on the amount of rent paid, in recognition of the very high cost of fair-market housing in the remote North). The higher the rent and the more the shelter allowance meets these costs, the higher wages must be in order to be competitive with social assistance. In recognition of high rent levels, the Ontario government

significantly improved its maximum shelter rates during its welfare reform of the late 1980s and early 1990s. For single parents with one or two children, the amount of the shelter allowance can now exceed the amount of the basic support component. Individuals facing high rental costs are likely to find it more difficult to make the transition into full-time work.

The second potential disincentive effect occurs with recipients living in housing units which are directly subsidized through social housing programmes. However, subsidized housing is a less significant part of the housing stock in Canada than in countries like the United Kingdom. Only five per cent of Canadian households receive *housing* subsidies through social housing or rent supplement programmes (Blakeney, 1992). In Ontario, approximately 18 per cent of households on social assistance live in subsidised units (SARC, 1988). The rents of social assistance recipients in social housing are typically negotiated between the housing and welfare authorities, but the rents paid by low-wage workers are in the range of 25-30 per cent of gross income. The disincentive effects will vary greatly by province, and in some areas rents will rise significantly when they leave social assistance for employment. There is, however, little information on the interaction between social housing and welfare, though the advent of a new longitudinal data base should promote research (NCW, 1993a).

5.5 Trends in expenditure on social assistance

Table 5.2 below gives expenditure figures for social security and social assistance in Canada between 1980 and 1990.

Table 5.2. Estimated social assistance and social security expenditures, 1980/81 to 1992/93. annual prices

| Year | Social Security expenditures ¹ (\$000,000) | Social Assistance expenditures ² (\$000,000) | SA as per cent of total social security |
|----------|---|---|---|
| 1992-93 | 140,341 | 12,354e | 8.8e |
| 1991-92 | 135,269 | 10,638e | 7.9e |
| 1990 -91 | 121,600 | 8,883 | 7.3 |
| 1989--90 | 110,700 | 7,146 | 6.5 |
| 1988-89 | 102,900 | 6,826 | 6.6 |
| 1987-88 | 95,438 | 6,394 | 6.7 |
| 1986-87 | 89,368 | 6,124 | 6.9 |
| 1985 -86 | 81,723 | 5,880 | 7.2 |
| 1984-85 | 75,956 | 5,522 | 7.3 |
| 1983-84 | 70,802 | 4,927 | 7.0 |
| 1982-83 | 65,033 | 4,155 | 6.4 |
| 1981- 82 | 52,116 | 3,272 | 6.3 |
| 1980-81 | 44,988 | 2,839 | 6.3 |

¹ Social security includes income security, social services and health services.

² Figures represent an estimate of *federal* and provincial expenditures, exclusive of administrative costs

e estimates

Note: In 1990 purchasing power parities, Canadian \$ = US\$0.77.3 and £0.46

Sources: *Social Security* Statistics, Human Resources Development Canada. various years

The table shows that while social assistance spending grew during the 1980s in cash terms, as a proportion of all expenditure on social security it did not change significantly. There are no separate national figures available for expenditure on special assistance schemes paying one-off and lump-sum grants and loans. Figures on administrative costs are not readily available in a consistent format for all provinces.

Social assistance is funded in part from the federal Consolidated Revenue Fund (general government revenues), in part from provincial government revenues, and, in those provinces which have retained a two-tier social assistance structure, from local property taxes. It should be noted, however, that in single-tier provinces, municipalities still pay a portion of social assistance costs through the municipal

levy system, whereby counties pay their proportional share of the cost of services delivered by the province.

5.6 Trends in receipt of social assistance

The information available is summarized below. It should be borne in mind that provinces and territories administer their own social assistance programmes and no standard definitions or reporting mechanisms exist which permit the aggregation of reliable national data.

Table 5.3 shows the estimated numbers of households (cases) and individuals (recipients) receiving assistance in March 1981-1991.

Table 5.3: Estimated numbers of social assistance beneficiaries, 1981-1994

| As at March | Estimated number of cases | Estimated number of recipients |
|-------------|---------------------------|--------------------------------|
| 1981 | 734,300 | 1,418,400 |
| 1982 | 788,100 | 1,502,800 |
| 1983 | 985,000 | 1,832,900 |
| 1984 | 1,028,500 | 1,894,900 |
| 1985 | 1,058,000 | 1,923,300 |
| 1986 | 1,048,900 | 1,892,900 |
| 1987 | 1,081,700 | 1,904,900 |
| 1988 | 1,018,400 | 1,853,000 |
| 1989 | 1,022,100 | 1,856,100 |
| 1990 | 1,056,000 | 1,930,100 |
| 1991 | 1,239,000 | 2,282,200 |
| 1992 | 1,471,900 | 2,723,000 |
| 1993 | 1,616,200 | 2,975,000 |
| 1994 | 3,675,900 | 3,100,200 |

Source: *Social Security Statistics*, Human Resources Development Canada, various years

In April 1994, assistance recipients made up 10.6 per cent of the total estimated population (Seguin, 1994), which is an indication of the importance of social assistance as a source of income. Overall, the number of recipient households increased by around 128 per cent between 1981 and 1994. In the month of March 1992, an estimated 3.3 per cent of households receiving social assistance also reported unemployment insurance benefits as income.

Table 5.4: Beneficiaries of social assistance at March 1993, by household type

| | Cases | | Recipients | |
|-----------------------|--------------------|------------|--------------------|------------|
| | Number (thousands) | Percentage | Number (thousands) | Percentage |
| Single persons | 924.5 | 57.2 | 924.5 | 31.1 |
| Couples, no children | 80.5 | 5.0 | 161 | 5.4 |
| Couples with children | 169.7 | 10.5 | 339.4 | 11.4 |
| Lone parents | 441.5 | 27.3 | 441.5 | 14.8 |
| Children | n/a | n/a | 1,108.6 | 37.3 |
| Total | 1,616.2 | 100.0 | 2,975 | 100.0 |

Source: *Social Security Statistics*, Human Resources Development Canada

The largest group of beneficiaries in 1993 were single people, followed by lone parents, while children made up nearly two-fifths of all recipients.

5.7 Policy issues

Poverty and exclusion

Along with other industrialised countries, Canada 'rediscovered' the problem of poverty in the late 1960s. This was when Statistics Canada began to track the distribution and characteristics of the low-income population and the National Council of Welfare was established. Up until the 1990s, the 'relative' concept of poverty was not particularly controversial. However, in the current economic

climate. controversy has developed over the extent of poverty and its proper definition. A Parliamentary Sub-Committee established under the previous Conservative government, and the Frazier Institute (a neo-conservative think-tank), have both recently suggested that the Canadian rates are over-stated and should be calculated with more emphasis on poverty as 'inadequacy' (House of Commons, 1993; Sark. 1992). This has been politically attractive at a time when Canada has been facing criticism from the United Nations for its lack of progress in alleviating poverty. Against a background of concern over levels of government spending, economic restructuring and a growing number of 'employables' on the social assistance caseload, attention has shifted away from the issue of poverty to the inadequacies of income support programmes. These programmes are increasingly viewed as an important part of the problem, not the solution, and there is a renewed emphasis on self-reliance and individual responsibility. This shift is revealed in the changing language of discourse, where terms such as 'springboard' and 'employability enhancement' feature more prominently and 'income security' is heard much less frequently (NCW, 1992).

Benefit level

Canada has no official poverty line, but the Low-Income Cut-Offs (LICOs), produced by Statistics Canada and based on average household expenditure on food, clothing and shelter, are widely accepted and used for this purpose. LICOs are set at the level at which households are, on average, spending an additional 20 per cent of their income on these basic necessities. In order to simplify its approach and make more explicit its assumptions, Statistics Canada has introduced, in addition to the LICOs, a Low-Income Measure (LIM), based on one half of the median income, adjusted for family size and composition. In addition, Statistics Canada is beginning to provide information on 'poverty gaps' and low-income data on an after-tax basis (Statistics Canada, 1991).

There is no relationship between these poverty lines' and social assistance rates. In addition, only Quebec has a regulatory provision requiring annual indexation with reference to a benchmark standard: in practice, this provision is applied only to the permanently unemployable, and the province has suspended the regulation (and frozen the benefit or varied the procedure) on at least two occasions since 1990.

There is no national minimum wage, but most workers are covered by provincially-set minimum wages. Minimum wage levels have no explicit relationship with social assistance rates and the value of the minimum wage has fallen over time in all jurisdictions (NCW, 1993b). The Ontario government, which has increased social assistance levels by 14 per cent since 1990, recently announced their intention to tie benefit levels to the minimum wage, although this was part of a now defunct package of reforms that included removing children from social assistance through provision for them outside the social assistance system (Ontario, 1993).

Benefits have not been regarded as adequate by any of the 'poverty line' measurements (Ross and Shillington, 1989). The National Council of Welfare provides periodic 'adequacy checks' by comparing the unofficial LICO poverty line with social assistance rates across provinces and households. Depending upon the province, single 'employable' adults fare the worst, with total benefits ranging from 24-62 per cent of the poverty line. The benefit levels for lone parents and disabled people are typically the most generous, ranging from 43 to 80 per cent of the poverty line for different household types (NCW, 1993a). There is also growing attention to the comparison between low-wage work and social assistance rates.

Unemployment and poverty traps

There are no estimates available of the numbers of people affected by unemployment or poverty traps, but concern about disincentives in the benefit structures of both UI and social assistance is one factor in the overhaul of social security programmes. The mechanisms within the structure of social assistance benefits to alleviate these traps vary from province to province, but include flat-

rate and variable earnings exemptions, deductions for work-related expenses, employment 'start-up' benefits and wage supplements. These initiatives were given a particular boost in 1986 when the federal government agreed to cost-share increases in the level of the earnings exemptions. Six of the ten provinces provide some form of supplementary health coverage (dental, prescriptions and spectacles) for those who leave social assistance for low-waged work (NCW, 1993a). A study of the interaction between the tax and transfer system in Ontario underlined the overwhelming contribution that the structure of assistance makes to the very high marginal tax rates on earnings (between 80--95 per cent) that recipients face. The authors commented in a companion report:

Unfortunately, the most effective way of reducing significantly the heavy tax load on welfare recipients who work is to lower the welfare taxback (or withdrawal rate), which could prove too fiscally and politically costly to risk. (Battle and Torjman, 1993a, p. 25)

Further evidence of the combined effect of needs-tested benefits was provided in the NCW report, which found that there were strong work incentives for single 'employables' and two-earner couples in most provinces, but strong disincentives for those with disabilities, single parents and one-earner couples with two children (NCW, 1993a). The strongest disincentives for a disabled person (estimated as a potential average annual loss of income by entering work of \$2,400) and a lone parent (54,700) existed in Ontario, while the one-earner couple on social assistance was \$9,000 better off on social assistance in Manitoba.

The limited information available on the effects of financial incentives offered within the social assistance system suggests that they do increase both the number of recipients reporting earnings and the level of their earnings. This has been the experience with both British Columbia's enhanced earnings programme and Ontario's 1989 STEP programme (Bailey, 1994; Advisory Group, 1992). There has been concern that these programmes may also increase spells on benefit by raising the 'break even' point when eligibility for welfare ceases, although efforts to test this have shown minimal and inconclusive results (Bailey, 1994). As long as the financial incentives are firmly lodged within the social assistance system, they also serve to increase the gap between some of the non-welfare working poor and the working poor receiving assistance.

Several benefits operate outside the social assistance system, and this is where the growing emphasis lies. The new Child Tax Benefit, effective from 1993, has an annual earnings supplement of up to 5500 for low-income families with a significant attachment to the labour market (with earnings in 1992 of between 53,750 and \$25,921). Low-income working families not on social assistance are also eligible for child-care subsidies in all the provinces, but low ceilings on the number of subsidies available and the lack of available spaces eligible for subsidies limit their effectiveness. In 1987, it was estimated that less than a third of parents eligible for a full subsidy were receiving it (NCW, 1988), and it is suggested that working poor families have less ready access to child care than recipients (Battle and Torjman, 1993b). In addition, as we have seen, three provinces (Quebec, Manitoba, and Saskatchewan) supplement wages of low-income working families. Quebec's level of benefits has been considerably higher than the others and can amount to 33 per cent of net earnings, with additional amounts for child care and housing (NCW, 1993a).

Two federal-provincial pilot projects are underway to test the effectiveness of time-limited wage supplements to move lone mothers who have been on social assistance for at least a year into full-time work. Individuals must work at least 30 hours a week and their earnings are supplemented at the rate of half the difference between their annual earnings and the maximum level allowed for supplementation. The 1994 ceiling on earnings was set at \$37,500 in British Columbia and \$30,600 in New Brunswick. The supplements are available for a maximum of three years, by which time it is assumed that individuals will have increased their earnings

sufficiently to be able to do without the supplement. Evaluations, which are not yet available, are based on an experimental design: those selected for the experimental group have one year in which to find employment and are eligible for a variety of pre-employment services.

Behavioural incentives

Within social assistance, cohabitation is the main 'behaviour' that has been subject to changing regulations. The two provinces (Ontario and Quebec) which now accept that a cohabiting woman (or man) is entitled to social assistance in her own right, in certain circumstances, treat the same woman, if married, differently. In those provinces where cohabiting women are eligible in their own right for social assistance, this could be seen as discouraging women from marriage.

There has been little research carried out on the behavioural impacts of social assistance receipt, although some of the same concerns are occasionally voiced that receive considerable attention in the USA. These include availability of support as an incentive to adolescent pregnancy and child-rearing; concerns about encouraging separations; and inter-provincial mobility effects. Research by Allen (1993) suggested that a \$100-5200 increase in welfare was associated with a five per cent increase in the probability of being a lone parent, a two per cent increase in the probability of a child being born out of wedlock, and a one per cent increase in the probability of divorce. However, the findings were based on inter-provincial differences in welfare rates which may proxy for other provincial differences (Dooley, 1994a).

Equivalence scales

The structure of payments according to family members or age has never been an issue which has had much prominence in Canadian welfare debates. This may be due, in part, to the fragmented nature of social assistance, as well as the many categories of entitlement that can feature in the provincial social assistance systems (Ontario, for example, has 22 categories of eligibility). This may serve to obscure general differences between types of households. In addition, when adequacy is viewed as the major issue, equivalence scales may be regarded as relatively unimportant. In the 500 page report that accompanied Ontario's major review of social assistance in 1988, only a few pages were devoted to equivalence issues. It was recommended that benefits for the first child in a one-parent family should be paid at the rate of an additional adult (this is in line with some tax-related benefits), that gender distinctions between benefits for those over 60 be eliminated, and that age distinctions among children be reduced to acknowledge only the higher costs of the teenage years (SARC, 1988).

Current public debate

Recent opinion polls suggest that the overwhelming majority agree that Canada cannot maintain social programmes' services at current levels of funding, and opinion is evenly divided between believing this reflects inefficiency or waste, or the use of services by people who do not need them. In considering ways to deal with the financial costs of particular programmes, polls have indicated strong support for cuts in income programmes for the unemployed. In contrast, the majority prefer to increase taxes or spending for children's benefits or programmes for the 'unemployable' (Decima, 1992). There is also strong support for 'making people on welfare go to work'. The welfare climate, however, seems somewhat more sympathetic in 1994 than in 1988. In 1994, Canadians were less likely to think that most recipients could get along without welfare than in 1988 and more likely to think that some need help. The proportion of those who thought that most 'really need' help was identical in both years. At the same time, there was an increase in those who believed the government spends too much on welfare. The idea of combining Unemployment Insurance and social assistance into one means-tested programme appeals to Canadians: 52 per cent were in favour, 30 per cent opposed and 19 per cent had no opinion (Gallup, 1994).

Social assistance programmes are currently receiving²⁸ more attention in the public and political arenas than they have since the 1970s.²⁹ Growing economic insecurity, increasing numbers of 'employables' on the social assistance caseloads, and concerns about deficit levels have resulted in a widely shared view that income support programmes need to be overhauled. In line with the OECD emphasis on the 'active' society, the link between these programmes and the labour market is perceived as inadequate, and benefits considered overly generous. Not surprisingly, media attention on social assistance has increased considerably. Particular attention is given to issues of incentives/disincentives and the desirability of making benefits more conditional on undertaking forms of work ('workfare').

In Canada, the major public debate regarding universal versus selective programmes took place in the very early years of the last Conservative government, with the introduction of a succession of incremental changes to universal programmes to 'target' those in need. These changes became increasingly complicated and obscure, and by the time Family Allowance was formally abolished in 1992, there was hardly any general protest (for discussion, see Evans, 1994a). The debate in favour of universality now appears to be limited to advocates and academics, and those appearing before the House of Commons Standing Committee on Human Resources Development expressed 'overwhelming support for the principle of universality' (Standing Committee, 1994: 19). Income-testing of the non-contributory flat-rate age pension is advocated by some - and not only those on the political right. There is a general preference for income-testing, rather than means-testing, and these benefits represent a significant distinction between the US and Canadian income support systems (Ranting, 1992).

Social work and social security

The role of social assistance case-workers includes, in theory, the provision of limited counselling as well as income maintenance. High caseloads, however, tend to result in social work support being diminished or eliminated entirely, while emphasis on enforcement is seen as increasing hostility from clients and contributing to low staff morale (SARC, 1988). The current emphasis on providing a speedier and more effective transition into the labour force has, however, focused attention on the need to provide individualised employability assessment and planning. These developments suggest contradictory pressures on assistance staff, particularly in relation to clients viewed as employable.

5.8 Recent and forthcoming changes

One of the key elements of welfare reform has been the concern to move employable social assistance recipients into the labour force, or into a variety of work-related activities as a prelude to leaving welfare. Provinces vary in their emphasis on the carrot, the stick or a combination of both. The federal government provided the impetus for the 'carrot' in the 1980s by negotiating agreements with the provinces to divert funds from Unemployment Insurance to a range of pilot projects, and by changing restrictions governing the cost-sharing of earnings exemptions. As a result, the 1980s saw a proliferation of programmes and policy changes.

Recent changes

Since the mid-1980s, many provinces have enhanced their earnings exemption policies and transitional benefit packages (assistance to clients making the transition to work) as a result of the Federal-Provincial Agreements on Enhancement of Employment Opportunities for Social Assistance Recipients. As part of the Government Expenditures Restraint Act (1991), federal contributions to Ontario, Alberta and British Columbia²⁸ under the Canada Assistance Plan were limited for 1990/91 and 1991/92 to an annual growth rate of five per cent (over the 1989/90 base year). The next federal budget extended the five per cent 'cap' for a

²⁸ The three Canadian provinces which do not receive equalization payments from the federal government.

further three years, to the end of 1994/95. The affected provinces were thus required to find ways to contain expenditures, either by reducing caseloads or reducing social assistance coverage. Most provinces have gradually or radically reformed their social assistance programmes over the last decade or so²⁵. Over that period, and especially since the beginning of the 1990s, some moderate provincial reforms have been undertaken (such as, making asset exemptions and income exemptions more or less generous for different client categories, freezing or even reducing rates of assistance, enforcing job search requirements more rigidly for employables). Others have chosen to overhaul their system (such as Quebec, which implemented its new Income Security programme in August 1989).

The common thread which runs through all reform efforts, whether federal, provincial or municipal, is the linkage of training requirements and opportunities with social assistance. Many provinces have split their social assistance system into two separate programmes over the past few years, although some have had this distinction since their inception in the 1960s and early 1970s. One such programme type is designed for permanently unemployable clients, and their dependants, requiring long-term income support: these programmes are known variously as Income Assurance, Assured Income, Financial Support and so on. The other programme type is designed for those who can -- some with extra assistance with remedial education or training - integrate or reintegrate into the labour force and achieve self-sufficiency. Generally speaking, the rules for financial, categorical and administrative eligibility have been less stringent for the unemployable clientele than for employables, and benefit levels have tended to be more generous for 'unemployables' as well.

Recent proposals

Provincial proposals for reform: Late in 1993, the government of Newfoundland proposed a new Income Supplementation Programme (ISP) for that province which would 'supplement incomes for low-income individuals through a Basic Income Supplement that would be independent of earnings and a Work Supplement that would increase as earnings increased up to a maximum level. The ISP would be phased down as family incomes increased so that individuals in high-income families would not receive income supplementation'. The same proposal calls for the creation of a new Educational Supplement (ES), which would 'provide the means whereby all citizens who wanted to could pursue higher education or training'. Financing for the ISP and the ES would come from savings generated through reforms to the Unemployment Insurance programme and to social assistance and job creation in the province. Federal officials have been studying the complete package of proposed measures.

The New Democratic government of Ontario undertook the task of fundamentally restructuring social assistance in that province by 1995. The province planned to 'promote independence by encouraging job preparation' and to 'provide fair treatment to all low-income families, including those with parents working full-time'. The new approach would comprise three programmes: (i) the Ontario Child Income Programme (income-tested monthly payments to all Ontario low-income households with children); (ii) the Ontario Adult Benefit (needs-tested assistance for food, clothing, shelter and personal needs for adults in transition to work and for those who cannot work because of disabilities); and (iii) the JOB LINK programme (providing an Employment and Training Allowance [instead of the Adult Benefit] to eligible clients to cover both basic needs and costs related to job preparation and job search activities). This ambitious plan was, however, thwarted by fiscal constraints and the mandatory election in the spring of 1995, at which the NDP lost control of the province. The election manifestos of both the Liberals and Conservatives indicated a swing to the right on welfare.

Welfare Reform. a 1992 report by the National Council of Welfare, examines welfare reform efforts on a province-by-province basis over the last decade. This report is part of a series on social assistance programmes which dates back to November 1987, with the publication of *Welfare in Canada: The Tangled Net*.

Other provinces have attempted or are attempting new approaches to welfare reform, including expansion of education programmes and better co-ordination between social assistance and training, and earnings supplementation for some categories of clients.

A number of provinces are embarking on changes that attempt more accurately to differentiate benefits on the basis of employment expectations and to increase work incentives. Quebec embarked on a major reorganization of social assistance in the late 1980s, which was generally viewed by anti-poverty groups as retrogressive. The changes created two separate programmes, distinguished on the basis of severe disability; ability to work. The programme for those without disabilities categorised recipients and benefits into four groups, on the basis of availability for, and participation in, employment-related programmes. Similar changes occurred in Alberta. Quebec also extended its earnings-supplementation programme to social assistance recipients, but limited the programme to families with children. The recommendations that emerged from Ontario's major review of its social assistance system were generally regarded as progressive. The major directions of reform outlined a separate and comprehensive disability insurance programme and benefit, the establishment of a children's benefit that would 'unbundle' children from social assistance and provide a benefit for children of the working poor, and a revamped and streamlined assistance system for those remaining on social assistance (SARC, 1988). The major proposals were never implemented, however, although a number of improvements were made to the existing system.

Federal proposals for reform— On January 31, 1994, the federal Minister of Human Resources Development officially announced in the House of Commons that, as part of his Government's commitment to putting people back to work, a multi-faceted review and reform process of the country's social policies (including social assistance and Unemployment Insurance) would take place immediately. The objectives of this review were as follows:

- to meet basic labour market insurance and adjustment needs
- to restructure the Unemployment Insurance Programme and the Canada Assistance Plan to create a new form of employment insurance
- to help people make the crucial school-to-work transition by providing a range of options in training, apprenticeship, community service and work
- to broaden educational and training assistance to support life-long learning
- to enhance support and care provisions for children
- to redefine the distribution of work and rules of the workplace
- to ensure that individuals with disabilities can achieve equality, independence and full participation
- to seek a better balance between incentives for job creation and payroll tax levels
- to ensure basic security for those in need
- to redefine responsibilities between governments and strengthen co-operative arrangements
- to achieve savings through greater efficiency, and
- to design new 'smarter' ways to deliver services and avoid duplication.

The federal government's Standing Committee on Human Resources Development has been examining the views of Canadians about social security and the job market and reviewed social policy options through the spring and summer of 1994. Running parallel to this process, there were extensive discussions with provinces

and consultations with key sectors of society, including business, labour, social and community groups, aboriginal organisations and others. The federal government promised to complete the reform of social programmes within two years.

According to the Caledon Institute of Social Policy (1995), the Liberal Finance Minister's first budget (in February 1995) immediately cast a long shadow over the Social Security Review^o. Changes to Unemployment Insurance and the age credit were introduced and substantial cuts were announced in federal social transfers to the provinces before the Review even started.

In the 1994 Budget, the federal government allocated 5800 million (decreased to \$413 million in the 1995 Budget) for provincial and territorial strategic initiatives between 1994-95 and 1998-99 in the areas of training and employment. Most of strategic initiative funding (90-95 per cent) is for projects with the provinces and territories on a 50-50 cost-sharing basis, *although* a limited capacity has been retained for federal funding of priority areas. Of the total federal allocation over four fiscal years, an amount of \$25 million has been earmarked for projects with aboriginal groups; these projects will be 100 per cent federally funded. The Strategic Initiatives Program is aimed at a broad target clientele, including people at risk in terms of their labour market prospects and those who are socially disadvantaged.

As at May 1995, 16 Strategic Initiatives Program projects have been announced with eight provinces and the Northwest territories: over 30,000 people will be affected by the projects announced so far, including more than 5,000 young people, 4,000 lone mothers and their children, and 1,000 older displaced workers. The Strategic Initiatives Program's long-term impact on social assistance in Canada will be evaluated on an ongoing basis throughout the four-year period. Strategic Initiative extends beyond the traditional approaches (e.g., job creation, academic upgrading and on-the-job training) to include novel measures such as assistance to establish small business, income supplementation, improved access to child care, and enhancement of the dissemination of labour market information.

In October 1994, the federal government released *Improving Social Security, in Canada: A Discussion Paper*, to provide Canadians with a framework for participating in the reform of our social security system'. It offers options for the re-design of federal programmes in the areas of working, learning and security; programmes under review include Unemployment Insurance, employment development services, child care, and federal support for post-secondary education and social assistance. In the weeks and months which followed, Human Resources Development Canada released almost a dozen supplementary papers dealing with specific social security themes, including the Canada Assistance Plan, Unemployment Insurance, employment development services, *child* care and development, income security for children, and so on. The supplementary papers were intended to provide a deeper understanding of the issues and to encourage *more* informed participation in the debate'. In the aftermath of the 1995 federal budget, however, the debate has been muted. The fundamental shift in Canadian social policy is explored further in the following paragraphs.

The current fiscal climate has significantly increased the ever-present tension in federal-provincial spending relations, and the constitutional issues that have marked the Canadian political landscape (extending well beyond the role and place of Quebec) do not provide an auspicious context for renegotiation of federal and provincial responsibilities for income support. However, all levels of government share an increasing concern about work incentives, and the federal government's proposals are likely to try to decrease the difference between social assistance and the more generous unemployment insurance programme. Action is also expected on the youth employment front with proposals that would tie income support to employment training. It is also possible that the federal government (picking up on the failed Ontario proposals) will take primary responsibility for an enhanced children's benefit. There has been relatively little discussion of labour market

issues, except to point to the need to reduce the disincentives in the income support system in order to generate more jobs.

Recent cutbacks in Unemployment Insurance have undoubtedly increased reliance on social assistance. Estimates made of the increased cost of people whose insurance entitlement has run out, and who will go on to welfare because of shorter duration of UI benefits, varies from the Federal Government's estimate of \$100 million to as high as \$1 billion. In addition, the capping of the provincial Canada Assistance Plan contributions has meant, in Ontario for example, that in 1994/95 the Federal Government contributed only 28 per cent of the costs of social assistance, rather than 50 per cent. According to many social advocacy groups, the review of Canada's social security programmes announced in January 1994 was conducted primarily to reduce federal expenditures: if it was constrained by the 1994 budget, then it was entirely superseded by the radical shift in social policy announced in the 1995 budget.

From 1996/97 onwards, the federal cost-sharing of provincial welfare and social services will be amalgamated with current block funding of health and post-secondary education. The new funding arrangement, to be known as the Canada Health and Social Transfer, will give the provinces less money but allow them considerably more discretion in how and where funds are spent. It is estimated that between 1996/97 and 1997/98 the Federal Government will disburse to the provinces nearly \$7 billion less, in cash and tax allocation, than under the present system.

In a critical report on the proposals, the Council of Canadians (Robinson, 1995) argues that they constitute a serious withdrawal from a federal presence in Canada's social safety net. Transfers with no enforceable conditions will provide no guarantee that money allocated for social services will be spent for these purposes. The removal of the Canada Assistance Plan means that there will no longer be a requirement for provinces to operate last-resort schemes and there will be even greater pressure on provincial treasuries in the event of another recession. The end of CAP also, according to the Council, signals the Federal Government's intention to leave open the door to 'workfare'.

5.9 Overall performance

Almost 11 per cent of the population of Canada are reliant on social assistance payments, so the Canada Assistance Plan cannot, in contrast to the schemes in some European countries, be seen as a minor element within the overall social security system.

It can be argued that the mixed federal/provincial structure of social assistance in Canada has provided both advantages and disadvantages. It has strengths in that the cost-sharing arrangements have been at least partly successful in modifying the constitutional allocation of service delivery powers to the provinces, and thus have created a broad national framework for meeting minimum income needs. On the other hand, inter-provincial differences are still substantial, and it is not clear that variations in benefit levels and eligibility criteria can fully or justifiably be explained by differences in local conditions and costs of living. There has also been some concern that variations in rates of assistance may encourage migration between provinces.

One other feature of the current cost-sharing structure is the CAP requirement that need should be the sole criterion for granting assistance. While provinces have wide discretion in establishing the definition of 'need', which can include fulfilment of intensive job-search requirements, once need is established, provinces cannot at present impose further demands on recipients such as undertaking work in return for benefits. Thus the CAP has up to now precluded USA-style 'workfare'. After the Canada Health and Social Transfer takes effect, however, the only federal condition attached to the welfare portion of the COST block grant will be that

provinces and territories will not be able to set a period of residency in their jurisdiction as a condition of eligibility for social assistance. The federal Minister of Human Resources Development has announced a series of meetings with his provincial counterparts, during the summer of 1995, to discuss the establishment of national principles by mutual consent. If, as is likely because of competing views on social policy at the provincial level, these areas of consensus are limited, there is likely to be considerable provincial experimentation in areas which were previously not cost-shared with the Federal Government, such as workfare and income supplementation.

As well as encompassing regional variation, the structure of assistance even within individual provinces can be extraordinarily complex, with a range of different payment schedules accruing to an applicant depending on family structure, employability, urban or rural location and housing tenure. This complexity makes it difficult to set benefit levels for different household types which are adequate for a reasonable standard of living but not so high as to inhibit the incentive to work. While social assistance rates, in some provinces at least, seem relatively generous by international standards - particularly in relation to neighbouring USA -- much of the apparent generosity disappears once housing costs are taken into account, and within the relative standards of the country benefits are widely seen as less than adequate. Because there is no statutory framework for uprating benefits, levels in some provinces have been allowed to wither through being frozen or uprated by less than inflation.

Setting benefit levels for people deemed unemployable ought to involve less difficulty than for employables because the question of work incentives does not arise. However, the employable/unemployable distinction is itself highly problematic and potentially stigmatising. As Lightman (1991) has argued, labelling people as unemployable can be a self-fulfilling prophecy and can result in official attention being limited to their income maintenance, without resources being directed towards developing labour market potential. This can be a particular problem for disabled people.

For 'employables' at least, there has been considerable attention given in recent years to innovative programmes to encourage labour force participation by recipients, including assistance directed towards low-income families in work. There are also relatively high levels of earnings disregards within social assistance. This is one area where inter-regional variability does have some potential advantages, in that it allows for experimentation and for lessons to be learned from the experiences of particular initiatives.

Overall, social assistance in Canada appears to have a fairly high degree of public legitimacy, in spite of the potentially stigmatising categorical divisions between recipient types. Information on entitlements is widely available and there are well-established review and appeal procedures. Although the system is highly complex, the encompassing of the many categories of recipient and circumstances within the one broad structure of the Canada Assistance Plan may perhaps have contributed to the relative resilience of the system as a whole up to now, in spite of the many provincial reforms or reductions which took place in the last ten years. Lightman (1991.) has contrasted the Canadian situation with that of the USA, where Aid to Families with Dependent Children, which caters mainly for lone parents - a disproportionate share of whom are black or Hispanic - has been highly vulnerable to political attack. He argues that the liberalism which is central to the American value system has never taken as deep a root in Canada, where there is greater understanding of poverty as being caused by structural factors rather than a matter of individual pathology.

Two Canadian social policy experts appearing before the House of Commons Finance Committee studying the 1995 federal budget (Banting and Boadway, 1995), warned that social service professionals feared 'a dramatic rise in

homelessness and begging on the streets of Canada', if reductions in federal transfers led to an erosion of social assistance. They added that 'there is a danger that those who have visited major cities in the United States have seen our future'.

Chapter 6 Denmark

6.1 Background

Demography

In January 1994 the population of Denmark was estimated as just under 5.2 million (Eurostat, 1994a). The fertility rate in 1993 was one of the lowest in Europe, at 1.3, and the above average increase in the population during this year was entirely due to inward migration. Like other European countries Denmark faces problems of ageing. In 1991, 17 per cent of the population were under 15 years of age; 67 per cent were between 15 and 64 years and the remaining 16 per cent were 65 and above (Eurostat, 1993). The proportion of the population aged 65 and above is set to increase until 2025, whilst the number of young people will decrease (Nososco, 1993). By 1980 Denmark already had one of the lowest ratios of people of working age to those over 65, and this is projected to halve by 2040 (DSS, 1991).

After the UK, Denmark has the highest divorce rate in the EU and by far the highest proportion of children born outside marriage (44 per cent in 1992). Approximately 18 per cent of families with children are headed by a lone parent - a similar proportion to that in the UK. (Bradshaw *et al.*, 1993).

Employment and the economy

Unemployment has risen steadily in Denmark since 1987, when it stood at just under eight per cent according to national measures. Standardised estimates put the rate in 1993 as 10.4 per cent (OECD, 1994a) and it has remained at around that level in 1994 (Eurostat, 1994b). It is thus at about the European Union average level, but higher than the average for the OECD as a whole. According to OECD figures, unemployment is not particularly concentrated among young people and those under 25 years have unemployment rates in 1992 close to the overall average. Danish figures suggest that the problem is rather greater, with youth unemployment rates at about 20 per cent, or double the overall average, in 1991. Long-term unemployment has been relatively low. In 1992 an estimated 27 per cent of all those out of work had been unemployed for a year or more, compared with an EU average of 42 per cent and just under 29 per cent for all the OECD countries (OECD, 1994a). The labour force participation rate in 1992 stood at 84.2 per cent of the population of working age - in 1991 this represented 88.5 per cent of men and 78.9 per cent of women (OECD, 1993c).

The political framework

The current government is led by the Social Democratic Party, with the Conservatives as the main opposition party. Nine separate party groupings are represented in Parliament, contributing to the tradition of consensus government.

6.2 The social security system

Historical development

The Poverty and Old Age Support Act of 1891 was the first social security legislation to offer financial support for those in need. Before this time, help was left mainly to the charity sector, with minimal involvement from municipalities. The 1891 law made a clear distinction between the deserving and undeserving poor:

assistance was means-tested and the poor were allocated to workhouses. Whilst in these poorhouses, some of the 'undeserving' poor were denied their franchise and other civic rights (Abrahamson and Hansen, 1994).

Between 1891 and 1933, social protection against sickness and employment was gradually introduced, based on the insurance principle. The first major reform of the social security system took place in 1933. Social benefits for unemployment and sickness, for example, became statutory rights, unlike means-tested benefits which remained at the discretion of municipalities. A new Social Assistance Act was passed in 1961 which established two categories of social assistance: the first for 'common need' and the second for special groups. 'Common need' benefits were fixed at the level of old age pensions, whilst benefits for special groups were slightly higher. The 1960s also witnessed the introduction of the rehabilitation principle which aimed to promote self-reliance through the provision of (short-term) benefits and social services. A review of the Danish social security protection systems in the late 1960s produced the 1974 Social Assistance Act which continues to govern the regulations concerning social assistance.

Structure

The social protection system in Denmark currently consists of five main elements:

- universal pension schemes (for old age or disability)
- social insurance schemes (for unemployment, sickness and maternity)
- social subsidies (for housing, children)
- social assistance (income safety-net)
- social services (such as nursing homes, kindergartens).

The combination of universal and insurance-based social security schemes financed largely from taxation places Denmark firmly in the Scandinavian model of welfare states.

Central government is responsible for the legislation and planning of social provision whilst municipalities are responsible for the administration of the legislation at a local level. Unemployment benefits are the responsibility of local unemployment insurance offices and health care services, such as hospitals, are the responsibility of counties.

Welfare expenditure in Denmark is financed largely from public funds. In 1991, 87 per cent of social expenditure was met by the state - 50 per cent by central government and 37 per cent from municipalities and counties (Abrahamson and Hanson, 1994). Municipalities and counties have increased their share of the costs since 1972, when they contributed just 16 per cent of social expenditure. By contrast central government's share has fallen over this period from 66 per cent to just half. Employers' share of social expenditure decreased from 11 per cent in 1972 to eight per cent in 1991, while individual insurance contributions grew from two per cent of social expenditure in 1973 to five per cent in 1991 (though in 1972 nearly seven per cent came from this source).

Social expenditure as a proportion of GDP has increased gradually since 1972, when it stood at 20.4 per cent (including health costs). By 1991, social expenditure accounted for an estimated 28.4 per cent of GDP including health costs, or 23.08 without them (OECD, 1994d, Table ic). This compares with an EU average of 16.87 per cent (without health costs) and 15.12 per cent in 1990 for the OECD countries outside Europe, making Denmark one of the higher-spending countries. Social expenditure accounted for 47.1 per cent of all public expenditure in 1991. This was an increase from the 1972 figure of 45.7 per cent, but social spending peaked in 1975 at 51.3 per cent of GDP and has been falling since then.

6.3 Social assistance

Introduction

Social assistance (*Bistand*) takes two main forms: first there is a basic cash allowance (the maintenance allowance), which until 1994 was supplemented by housing and child allowances: secondly, help can be given in the form of services such as advice, day care, home-help services, aids for disabled people, or residential care for the elderly. One-off lump items and payments are also available.

There is also a separate, means-tested supplementary pensions scheme which provides a guaranteed minimum for people whose pensions fall below a set level.

Legislation and policy objectives

Assistance is currently governed by the Social Assistance Act (*Bistandloven*) of 1974, which came into force in 1976, supplemented by national regulations. The legislation does not specify any particular policy aims for social assistance, but the Act is considered to be one of the pillars of the Danish social security system. The provision of assistance is included in the Danish Constitution as an obligation towards individuals.

Administrative and regulatory framework

The administration of the Social Assistance Act is largely the responsibility of local municipalities (99 per cent of the scheme), and whilst the counties have specific responsibility for health care and for services to certain groups such as drug users. for example, this constitutes only a very small proportion of overall responsibilities. All municipalities have a 'Social Board' which is made up of local politicians. These Boards are responsible for the day-to-day administration of the social assistance scheme, but they have to operate within guidelines set by central government, which retains the overall policy responsibility for social assistance. The department responsible is the Ministry of Social Affairs.

General conditions of entitlement

A number of conditions must be fulfilled for each type of assistance. Most importantly, social assistance can only be claimed by those who have experienced a major 'social event', or change in circumstances, such as sickness, maternity, unemployment, divorce or separation, death of a spouse or military service, which affects or changes their ability to earn the necessary income on which to live. It is not enough just to have a low income.

The Act does not stipulate a minimum age at which social assistance may be claimed and, in principle, anyone can apply for some form of assistance. Parents have, however, a responsibility to take care of their children and social assistance is not normally given independently to persons under the age of 18, except in the form of day care, for example, or in one of the other forms of assistance for children. In practice, the regular maintenance allowance is paid only to claimants aged 25 to 66 years, while a separate youth allowance is paid to young people aged between 18 and 24 years. Children and pensioners cannot receive maintenance allowance. For older people there is a non-contributory minimum pension which obviates the necessity for them to claim assistance.

Workers who are on strike or who have been laid off are entitled to claim social assistance although they are obliged to pay back the benefits that they receive during the periods of interrupted work.

Residence and nationality

In principle, anyone resident in Denmark is entitled to apply for social assistance. If the applicant is a non-Danish citizen s/he would normally only receive assistance on a temporary basis, though at the same rate as for Danish citizens. Sometimes,

however, foreign claimants would only receive social assistance in the form of a single-trip ticket to their home country. Within the terms of the Social Assistance Act, foreign claimants must have lived in Denmark for the previous three years to be entitled to continuous assistance.

People who are accepted as refugees are treated in the same way as other Danish citizens for benefit purposes. People who are asylum seekers are dealt with under the Danish Refugee Aid, which incorporates the Danish Red Cross, who can provide accommodation, food and other necessities.

In accordance with European Union regulations. EU citizens who are entitled to stay in Denmark may claim social assistance under the Social Assistance Act in the same way as Danish citizens. This also applies to continuous assistance although for those EU citizens staying in Denmark under the EU directive of 28 June 1990. they must have lived in Denmark for three years or more to be eligible for this benefit.

With the exception of the Nordic and EU countries, there are no other reciprocal agreements for social assistance. Under the existing conventions, equal treatment and access to social assistance is afforded to all citizens of the Nordic countries (Denmark, Finland, Iceland, Norway and Sweden). There is also a rule that Nordic citizens cannot be sent back to their own country against their wishes if they have lived in the country for more than five years or if they have a special relationship with that country. A new convention, currently being ratified by the Nordic countries, will change this time limit to three years. although the Danish Social Assistance Act operates within this time period already.

Social assistance is not portable to another country.

Duration of benefit entitlement

Essentially, cash assistance is meant to be only a short-term benefit. Local municipalities are expected to reconsider each case at three-monthly intervals in order to find out if other kinds of assistance are more practical or appropriate. Assistance may, however, last for more than three months depending on individual circumstances.

Arability for work and labour market policy

Everyone who applies for cash assistance must fulfil a number of conditions. One condition is that applicants must prove that they have done all that they could to try to get a job - this applies in principle to all applicants. Proof of this can be a confirmation from the employment service that they *are* seeking employment, or alternatively claimants may produce a doctor's statement showing that they are not able to work because of illness. If an applicant has a child she will usually not have to seek work if the municipality is unable to provide sufficient child care (local political decisions specify what is sufficient). There are no age limits to child-care provision. Such provision is subsidised, especially for lone parents.

There is a strong emphasis on integration into the labour market for young people in Denmark. Since 1990, young people aged 18-19 have had to accept an offer of either education, training or a job from the social assistance office in order to receive financial help. This Youth Allowance, an alternative to the social assistance maintenance allowance, has now been extended to cover all those people aged 18-24. No one of this age can claim social assistance on the grounds of unemployment for any longer than two weeks. although they will continue to receive Youth Allowance if they undertake a municipal training programme or other approved scheme.

A representative survey examining this policy was carried out by the Danish National Institute of Social Research after the first two years of operation. The

findings showed that in the spring of 1992, a quarter of the sample group had secured employment and one-third were in some form of education. The rest of the group however, had gained little or no experience of working in the labour market and typically found that taking part in the scheme had not improved their chances of getting a job or undertaking training or education. The Youth Allowance programme may be considered a quantitative success, when measured against the number of young people who have been attracted to it: one in five of all Danish 18 -20 year olds (at the time of the study) had participated in the scheme. Qualitatively, however, the Youth Allowance has not met its primary goal -- the scheme does not seem to promote a stable relationship between young people and the labour market. According to the researchers:

We cannot identify tendencies that young people with different types of completed job offers behind them are marginalised to a lesser degree than other groups of young people who have had a more peripheral contact with the scheme.

(E.ngelund et *cal.* 1992, p.21)

The most recent study of the Youth Allowance scheme aimed to identify the 'winners' and 'losers' of municipal activation initiatives. It confirmed that social background and educational attainment were the only significant variables to affect outcome:

The lower the educational level of the participant, the greater the risk of being placed among the losers. Likewise, participants whose parents were unemployed were significantly more likely to be placed among the losers than those whose parents were employed. ... A young person who had obtained a university entrance examination and whose parents were employed had no more than 18 per cent risk of being placed among the losers. While a young person whose level of education was no higher than completion of the 10th year of primary school and its equivalent and whose parents were unemployed had a 57 per cent risk of being among the losers.

(Ingerslev, 1994, p.99).

Overall, the study concluded that the success of the scheme depended more on young people's educational background than on the nature of the actual initiative and suggested that many of the participants would have managed just as well without the intervention of the 'activation process'.

In June 1993 the Municipal Activation Act was introduced, which aimed to encourage labour market activity through job training for people up to the age of 66 who are entitled to cash assistance. The Act enables municipalities to offer places on special schemes and if assistance recipients refuse to take part they run the risk of losing their benefit. Municipalities are not obliged to offer training: rather they have the option to run schemes at their discretion.

People are allowed to *work* and receive social assistance as long as they are not in a full-time job. Earnings are, as a rule, deducted from benefit. Full-time workers on low incomes may still have access to some of the services or benefits in kind provided under the Social Assistance Act.

Self-employed people whose businesses are failing may also be entitled to claim, but assistance is not given in the case of a general worsening of the economic situation. Rather, self-employed people must prove that their financial situation has worsened as a result of a social change. In practice, the assessment and clarification of the status of self-employed businesses is so complicated and restrictive that self-employed clients often have problems claiming social assistance (Simonsen, 1993; Socialministeriet, 1987). Self-employed claimants are also obliged to seek other work and must have no capital assets.

The benefit unit

Eligibility is based on individuals, although the amount of maintenance allowance payable is based on family circumstances and the people for whom the claimant is responsible within the family unit. Spouses have an obligation to support their partners. However, there is no cohabitation rule in Denmark and cohabitants do not have a legal obligation to support their partner. They make their claim as individuals (although some joint expenses, such as housing, are taken as a common responsibility and split between people sharing a household). This applies even to lone mothers cohabiting with a man. Although there is no expectation that a father should support his lone parent partner, he is expected to contribute for the child/ren. The financial incentive to cohabit rather than marry does not present a major moral issue in Denmark and there is little discussion of the equity of such a policy. The impact on marriage and the family is not known.

In principle, either partner can claim social assistance if he or she fulfils the conditions for social assistance. Benefits are usually paid to the person making the application.

Cash assistance for children depends on whether an adult has a legal responsibility for a child. If there is a legal responsibility the assistance is higher than in cases with no legal responsibility. Thus, an adult with natural or adopted children receives a higher rate of assistance than an adult with only a moral responsibility for grandchildren, stepchildren or foster children. Children are usually defined as dependent until the age of 18. Non-dependent but related adults can claim social assistance benefits separately from the rest of the family. The amount they receive is related to their age, but benefits are lower for those people still living in the family household.

Income and assets tests

The unit of assessment for benefit is the individual, but payments are calculated with reference to the situation of the family and thus take into account a spouse's earnings and other social benefits. Earnings of the applicant and his or her *spouse* are normally taken into account *in full*. Since the beginning of 1994 they have been counted gross (that is, before deductions of tax and social insurance contributions) in order to provide equity *with* other social security benefits. Denmark has a system of guaranteed maintenance allowances for children and these are also counted in full, but other types of informal child support, such as that from grandparents, are not counted. Children's income is also ignored, as are certain social security benefits and irregular payments from charities. Both child and housing benefits used to be counted in full but under the new scheme they are paid in addition to social assistance.

Although there are no specific earnings disregards defined in law, in some circumstances earnings of up to KR 2,000 per month (around US\$2.17 or £136 in 1993 purchasing power parities) can be disregarded in order to encourage people to move out of dependence on social assistance.

Apart from this, the withdrawal rate on all assessable income is 100 per cent.

One of the conditions for receiving cash assistance is that recipients do not possess any wealth, such as bonds, stocks, or bank deposits, although a proportion of a claimant's financial assets is disregarded. This ranges from KR 5,000 to 2,000, depending on the guidelines of the particular municipality. Some capital may also be deemed necessary, and thereby allowed by the municipality, for the maintenance of a reasonable standard of housing or for employment or training opportunities. In principle, a person applying for cash assistance who has financial assets over the set limits will be asked to use them up before benefit can be awarded.

Benefit levels

Since 1987 rates of social assistance have been fixed nationally by decisions of Parliament. There was a radical change in the payment structure from January 1994. Before this date, cash assistance consisted of a basic amount, a housing supplement and a children's supplement. Two rates were payable depending on the duration of the claim. Higher rates were paid for claims of less than nine months, to give short-term assistance to overcome temporary problems, such as unemployment. These higher rates and the subsequent lowering after nine months were seen as providing a financial incentive for people to find employment. The monthly rates in 1992 and 1993 were as follows:

Table 6.1: Social assistance scale rates 1992-4 993 in Danish Krona per month

| | 1 May 1992 | 1 May 1993 |
|---|---------------------------------|---------------------------------|
| <i>Personal Allowances</i> | | |
| Single adults - first 9 months | 2,852 | 2,909 |
| Couples - first 9 months* | 5,704 | 5,818 |
| Single adults after 9 months | 2,509 | 2,559 |
| Couples - after 9 months* | 5,018 | 5,118 |
| Single adults 15-24 yrs old living [§] with parents# | 1,907 | 1,983 |
| Single adults 18-24 yrs old living alone# | 3,198 | 3,310 |
| <i>Supplements</i> | | |
| Per child aged 0-17 years | 1,100 | 1,122 |
| Housing allowance | Actual rent (ie. variable)** | Actual rent (ie. variable)** |

Allowances were calculated as twice the amount of a single person

Single adults in this age group were not eligible for housing allowance. However, if adults in this age group were parents, married, pregnant or had been fully active in the labour market for a substantial period of time, they were eligible for rates given to adults of 25 and over.

The housing supplement covered the full cost of rent for housing of a reasonable size and quality in relation to the size and composition of the household

Note: In 1992 purchasing power parities US\$1 = KR 9.34 and £1 = KR 14.85

Source: Schulz Lovservice, 1994

The new system is much simpler. Since the beginning of 1994, cash assistance has been linked to the level of unemployment benefit, which is related to average wages. For people with a legal responsibility for a child, the rate corresponds to 80 per cent of the maximum unemployment benefit (KR 8,852 per month - around US\$960 or £603 in 1993 purchasing power parities). For other claimants in 1994 it was 50 per cent of UB (KR 5,546) and from 1 April 1995 this has gone up to 60 per cent of the maximum UB (KR 6,634). Young people receiving the Youth Allowance have a lower rate of KR 2,080 (US\$225 or £142) if they live with their parents and KR 4,251 (US\$461 or £290) if they live independently. There are also special higher rates for people receiving some form of rehabilitation. Benefit is now taxable, but housing benefit and family allowances are paid separately, as for people not receiving assistance. Recipients also pay insurance contributions.

Uprating of assistance is automatically linked to that of unemployment benefit, which takes place on 1 January each year.

The rationale for these particular equivalence scales has not been debated in Denmark, but there were a number of reasons given for the overall change (Abrahamson, 1994):

- making assistance taxable puts it on the same footing as other earnings and social security benefits and creates more transparency
- assistance recipients are now in an equitable position to other taxpayers and can make use of the various allowances
- rent subsidies and income-related child-care subsidies can now be provided on a uniform basis

people with low rents will have more disposable income for other necessities

- e the new system is administratively simpler for the local authorities.

People with particularly high rents, however, could lose out under the new scheme, in spite of the substantial increase in the basic benefit.

Although there are national rates, in essence Danish social assistance has been a largely discretionary system whereby social workers determine the needs of clients and subsequently decide the help they will be given. However, since the Social Assistance Act was introduced in 1976, decisions have increasingly been based on general guidelines set by either the Ministry of Social Affairs or, at least, at senior levels in the municipalities' health and welfare departments. The individual social worker and local municipality still retain an important element of discretion, however, when deciding assistance payments for specific one-off expenditure items. The decline in the overall use of discretion is generally considered by the public as a positive change.

In 1991, the organisation of heads of municipal health and social affairs departments initiated a debate about prioritising clients. The idea was to devote scarce resources to those clients who had the best chances of improving their situation, such as families with young children and young people. Seemingly 'hopeless' cases like drug users and long-term alcoholics would only receive the absolute minimum of cash transfers and no counselling. In 1993 the Ombudsman declared this practice unlawful although it has apparently been going on implicitly within many municipalities for some years (Abrahamson, 1994).

One-off and urgent payments

One-off payments have always been a part of the social assistance scheme in Denmark. They may be claimed by anyone who is unable to pay for medical and removal costs, for example, or because people experience a change in their social situation. One-off payments are administered by, and claimed from, the municipality and there are no fixed budgets. Entitlement is granted according to the Social Assistance Act and payments are made at the discretion of case workers in the municipality in line with guidance from the Ministry of Social Affairs. Payments are made as grants rather than loans and there are no specific amounts for particular *needs*.

One-off grants and urgent payments have been debated as part of a wider discussion on social assistance and, in particular, in relation to the treatment of immigrants. Statistically, one-off payments are included in the figures for general maintenance allowance payments. This has caused some media attention, highlighted, for example, by *the rare* cases when one-off housing deposits are calculated as part of the monthly maintenance allowance. In these cases it appears that some claimants *are* better off, for example, than university professors. When these payments are explained properly, such media attention has been short-lived and the general perception of one-off payments has not been greatly influenced.

Fringe benefits and other concessions

Claimants may apply for forms of social assistance other than cash assistance. There is a special section in the Social Assistance Act, for example, which allows help to be given to people for medical expenses which they are unable to pay for themselves. Dental care and prescription costs are subsidized by the state with a minimal user charge and there are no other medical costs in Denmark which have to be met at the point of use. Education in Denmark is normally free and children do not, as a rule, wear school uniforms. There are no specific concessions related to transport or similar services.

Families with low incomes can also be entitled to price reductions for day care costs. A lone parent receiving social assistance would normally expect to pay 50-60 per cent of the normal charge.

Administration and the claiming process

People apply to the social welfare administration in their municipality usually by making a personal visit to the local office. There are no rules concerning proof of identity – it is up to the municipality to identify the applicant. Applicants must have an address before they can claim social assistance. Local municipalities can offer accommodation to homeless people, as can the voluntary sector, which provides hostel accommodation with the help of finance from regional government (the counties).

Local municipalities decide whether to provide or run a home-visiting service. However, it is usually possible to send staff out to help those people who cannot come into the social services office.

Independent groups, such as trained social workers who are familiar with the problems of claiming assistance, produce books and leaflets detailing the eligibility conditions and rules for claiming as a supplement to the official material produced by municipalities. As a result, it is fairly easy to obtain information about how to claim assistance. There are also self-help groups in some cities which represent or help claimants when they go to assistance offices. Official information on social assistance is only available in Danish, but refugees can receive help from the *Dansk Flygtningehjælp* (Danish Refugee Aid) which works with interpreters.

People usually receive monthly payments as long as they continue to fulfil the eligibility conditions and there are no specific arrangements for renewal of claims. Recipients are, however, obliged to report all changes in their circumstances which could affect the level of their payments. These are most often changes in their economic or personal situation. Payments are usually made by credit transfer into a bank account or postal account. People may apply *for* other payment methods but the municipality makes the decision.

It is not usually possible to make deductions from social assistance payments or direct payments to third parties.

Arrangements for recovering overpaid social assistance depend *on* the circumstances in which the overpayment occurred, although it is normally required to be paid back. There is a section in the Social Assistance Act which gives the municipality the right to decide the terms of the repayment. Only the person who has received social assistance is liable for the recovery of overpayments, but it is possible to recover payments from the estate of an *applicant* who has died.

As a control on possible fraud the municipality has the right to request and receive computerised information about claimants *from* other public sources. Recently there has been some controversy about social assistance recipients in Copenhagen allegedly giving false information to municipal officials. The city of Copenhagen had picked 500 cases out of a total of nearly 50,000 that they suspected could be associated with some kind of fraud. Out of the 500 suspected cases, 42 per cent contained irregularities which could be characterised as fraud.

Claimants may appeal against decisions *made* by the municipality first to the Social Board of the local municipality and secondly to the County Appeals Board. A final appeal may be made to the central Social Appeals Committee. This is normally done by asking the municipality to send the decision to the relevant appeals board. It is not usually possible to appeal against any decisions made by this last body. Appellants are entitled to have access to all the guidelines and instructions for the Social Assistance Act and to receive a decision of the appeal body in writing. The

Ombudsman can also scrutinize any social assistance case. Anyone has the right to contact and request this service from the Ombudsman.

The role of non-governmental organisations in social assistance

The role of non-governmental bodies has increased over the last five years, particularly in terms of advice and personal support to people with special social problems, although their involvement in direct provision of social assistance is negligible. Some of these organisations receive municipal funding for their services.

There is a Danish branch of the European Anti-Poverty Network (EAPN) which aims to stimulate and influence public debate and political decision making on poverty-related issues. although it is not considered that they have succeeded in influencing public opinion to a great extent. Organisations such as the Church Army have had greater success in focusing public attention on the poorest members of society.

6.4 Housing assistance

Until the changes in the system introduced at the beginning of 1994, the rules for housing assistance were complex and time-specific, with variations depending on the year of claiming. Basically housing allowances could be claimed by any low-income household, whether they were claiming social assistance or not. If a claim was made for social assistance, the housing allowance was then deducted from the housing element of social assistance in order to cover high housing costs. These social assistance housing supplements covered public, social or private rented housing and mortgage interest payments for those people buying their own homes. In addition they covered electricity, gas, water and heating costs. For those with mortgages, the full costs of repayments (both interest and capital) were met in principle, as long as these were considered reasonable. The special supplement which covered the capital element of mortgage payments had to be repaid, however, when the applicant was able to do so.

Under the new system the rules are simpler, in that the general scheme of housing benefit also applies to people on social assistance. The basic housing allowance scheme, payable to all those in need, is regulated as follows: if claimants have no children and their housing costs are more than KR 1.200 per month (around US\$130 or £82), they are entitled to a supplement to meet the rest of the costs. If they have children the supplement is available if housing costs are more than KR 2,500 per month. For claimants with more than one child, this high rent threshold is reduced by KR 500 for each child except the first.

6.5 Trends in expenditure on social assistance

Social assistance is funded from both local and central government taxation. Local municipalities receive a 50 per cent reimbursement from central government for the cash benefits they pay out. This is considered to be a neutral degree of subsidy in that it does not encourage municipalities either to increase or decrease the numbers of claimants on social assistance for purely financial reasons. The distribution of financing has not been controversial, although the Ministry of Social Affairs is currently considering a change to the system as they are finding that the neutrality principle is being undermined by other forms of financial transactions between central government and the municipalities. The block grants from central government are weighted according to a number of criteria, such as the age composition of the local population. Increasingly, however, the grant is being weighted according to the number of assistance recipients. While it may not be an incentive to increase the numbers of recipients, it is considered that this system does not work as an effective incentive to encourage independence from benefit.

In 1993, national expenditure on cash assistance was KR 12.23 billion, which represented 8.4 per cent of gross social expenditure. Between 1985 and 1992 social

assistance expenditure increased as a proportion of overall social expenditure by a quarter (Table 6.2).

Table 6.2: Expenditure on cash assistance 1985-1992 (millions of Krona at current prices)

| | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|---|-------|-------|-------|-------|-------|-------|--------|--------|
| A | 5.811 | 5.416 | 6.360 | 7.784 | 8.784 | 9.728 | 11.288 | 12.225 |
| B | 6.6 | 6.8 | 6.1 | 6.7 | 7.1 | 7.5 | 8.3 | 8.5 |

A. Expenditure on cash assistance

B. Cash assistance as a percentage of the total social budget

Source: Ministry of Social Affairs_ 1994

There are no separate figures available for the administrative costs of providing social assistance. In 1990 however, the administrative costs of social security accounted for 2.9 per cent of all social security expenditure (Nososco, 1993).

6.6 Trends in receipt of social assistance

Detailed trend data are not available at present, but Table 6.3 shows the numbers of families (benefit units) receiving the cash maintenance allowance in 1991 and 1992, by family type.

Table 6.3: Numbers of families receiving maintenance allowance by family type 1991-1992 (thousands rounded)

| | Total 1991 | Total 1992 | With children 1991 | With children 1992 |
|----------------------------------|---------------|---------------|-----------------------|-----------------------|
| Total of families | 263 | 275 | 80 | 79 |
| Couples | 34 | 34 | | 23 |
| Single people | 229 | 241 | 57 | 56 |
| Single women | 115 | | 46 | |
| Single men | 114 | | 11 | |
| Children <18 not staying at home | 0.5 | | 0 | |

Source: Abrahamson and Hansen. 1994

The table shows that in 1991 a total of 263,000 families received cash payments, of whom 229,000 were single adults. Of these single adults, a quarter had children and a surprisingly large 19 per cent of them were lone fathers. Lone parents as a whole made up 22 per cent of recipients and single people without children made up 65 per cent. The breakdown of single people by sex was not available for 1992. Around 40 per cent of heads of households receiving benefit in 1991/2 were under 24 years of age (this was before the Youth Allowance was introduced).

In 1992 approximately 84,000 people received help in the form of single one-off items (Abrahamson and Hansen. 1994).

If it is assumed that recipient families with children had an average of two children each, the total number of individuals receiving assistance in 1992 would have been an estimated 467,000 or around nine per cent of the population. but this does not take into account the length of time people may have been on benefit during the year. The proportion of the population estimated to be in receipt of assistance at any one time in 1993 was 4.9 per cent (Nososco, 1995).

It is generally agreed that labour market participation is becoming increasingly difficult, particularly for people with little or no education and training. One-third of Danish people have only basic school education and they are over represented amongst unemployed people and social assistance recipients. As a result, the trend in long-term unemployment and a lack of adequate and relevant skills are seen as the most serious contributory factors to the growth in the numbers of people claiming social assistance. The overall increase in the share of the population receiving public support has been modest however --- it increased by about 11 per cent between 1984 and 1991 (Abrahamson. 1994).

Estimates for the take-up of social assistance are not available, although it is believed to be relatively high.

6.7 Policy issues

Poverty and benefit levels

Poverty was brought on to the political agenda in the mid-1980s when Poul Schluter, the then Prime Minister, admitted in his New Year's address that two to three per cent of Danish people were living in poverty. This figure has been contested by the social science community and researchers have instead suggested that poverty is experienced by about eight per cent of the population.

Public debate on poverty tends to focus on the very poor (Abrahamson, 1992) and media attention is often focused on the visibility in public places of homeless people and those with mental health problems. However, there is little political controversy over these issues. All political parties and factions have agreed, in principle at least, to address the existence of extreme poverty, which in terms of numbers presents only a small problem in Denmark. There is much more debate on solving the problem of unemployment. On the whole, unemployed people are not viewed as living in poverty, as the levels of unemployment benefit and social assistance in Denmark are considered to be adequate.

There is no official poverty line in Denmark, nor a national minimum wage. However, the trade unions and employers' organisations negotiate a minimum wage which all organised workers and employers have to respect. In 1994, the minimum pay level was set at KR 67 per hour (around US\$7.3 or £4.60) which, within the agreed 37 hour working week, produces a gross wage of KR 10,742 per month. From January 1994, the gross social assistance for adults in the best possible case was KR 8,852, representing 82 per cent of the minimum wage (for young people living with parents social assistance is only KR 2,080). In 1991, the estimated replacement for an 18 year old unemployed person was 35 per cent, while it was 60 per cent for a single parent (Commission of the European Communities, 1993, pp.58 and 60; Schulz, 1994). Whether or not benefit levels are adequate is a matter of debate: a person may be housed, fed and clothed on social assistance, but benefits still leave little over for other expenses. There is a well-known problem of debt among social assistance recipients in Denmark -- both to bank, other official institutions and informal creditors.

Stigma and exclusion

According to Danish researchers, the stigma attached to claiming social assistance benefits is not considered to be very great, which is arguably reflected in high take-up rates. Although it may be seen as more favourable to receive unemployment insurance payments than social assistance, recipients of assistance are generally not considered as the 'undeserving poor'. In isolated cases individuals may be labelled as undeserving, but this is not the case with respect to the group as such, or any particular sub-group. One particularly marginalised group who may have problems claiming assistance are homeless people, since an address is needed in order to receive benefit.

Incentives and disincentives

Atkinson and Mogensen (1993) concluded that disincentives are marginal and small in Northern Europe. Writing on Denmark, Pedersen also notes:

For people exposed to very high marginal tax rates, the tax and benefit structure is found to have a significant impact on the margin. There are, however, non-financial or dynamic factors in relation to work having an intrararginal impact on the supply of labour by those affected by the interaction between taxes and means tested benefits.

(Pedersen, 1993, p. 287)

Under the system of assistance payments introduced in 1994, claimants also receive the same help to meet housing costs as any other household with low income. The disincentive effects of housing cost subsidies are therefore considered to be minor.

Public debate on social assistance

The only major debate on social assistance in recent years has focused on the treatment of immigrants and refugees, which received considerable media attention during 1993. The debate was triggered by a social scientist from the Census Bureau who claimed that foreigners received more help from the social assistance scheme than Danish people. The research has not been published, although the results have been the subject of television interviews and talk shows. It caused a widespread public debate which prompted the Ministry of Social Affairs to conduct its own investigation. The findings of this investigation were published in April 1994: they showed that foreigners do not receive any more help from social assistance than Danish people when the number of children and the financial situation of spouses have been taken into account (Ministry of Social Affairs, 1994).

Since the inauguration of the Social Assistance Act in 1976, the use of municipal discretion has been reduced as increasing numbers of directives have been produced by central government concerning benefit levels and eligibility criteria. Although these directives are not legally binding, municipalities have largely accepted them. As a result, the principles of means testing and discretion are not often debated and although there are occasional references to rare cases where some people have received more in social assistance than they would have from unemployment benefit, this is generally not a major issue.

Social work and social security

Generally, there is said to be a high degree of frustration among social workers over their role as case workers. The increase in claimant numbers related to unemployment has meant that a growing proportion of their time is spent assessing and controlling social assistance payments instead of providing support and counselling.

The relationship between social assistance and other social welfare institutions

The most contentious issue in this respect is the so-called 'unemployment benefit carousel' which describes the municipal practice of moving claimants from social assistance (administered and part-funded by municipalities) to unemployment insurance benefits (administered by trade unions and financed by the state). The process works by creating 'artificial' employment opportunities for claimants at local projects which ensures that they will join an unemployment insurance fund. After one year, when the municipal projects finish, claimants are then transferred to the social insurance system. Another municipal strategy attempts to transfer assistance recipients to early retirement pensions which are administered and financed by the state -- case workers have been very active in helping clients to apply for pensions. Both these courses of action are said to have been motivated by municipal financial considerations and do not necessarily benefit clients or the national economy (Abrahamson, 1994).

6.8 Recent and forthcoming changes

The Social Assistance Act has been changed several times since 1976. Compulsory work activity plans have been introduced for young claimants as part of the Youth Allowance scheme discussed above and there is also a current initiative to make passive assistance more active so that people can become self-supporting. The new Municipal Activation Act may be seen to be a part of this trend. A positive element of the Youth Allowance is the emphasis on social and economic integration of marginalized young people into mainstream society. The negative side, however, is the compulsory nature of the scheme: if young people decline the offer of a job or scheme they are denied any financial assistance.

in addition, the cash assistance element of social assistance has been changed radically from 1994 as described above. Maintenance allowance payments have been turned into gross payments subject to tax and insurance contributions (but are now double the previous amounts). As a result of this change, payments have been simplified and special child allowances and housing allowances are no longer a part of social assistance payments. This simplification works to the disadvantage of claimants with relatively high housing costs.

There are no current plans for further changes to social assistance in the near future.

€9 Overall performance

The importance of social assistance within the wider social security system in Denmark has been increasing. While it remains a somewhat discretionary system, over the last ten years or so it has moved towards more objective methods of calculating both the amounts and types of benefit available. There are still regional and local differences but these have narrowed considerably. In comparison to many other countries, the Danish benefit system is generous and apparently has high take-up rates, which suggest that the relatively strict means test does not act as a major deterrent to claiming. Claimants may find themselves at risk of poverty whilst living on social assistance, but this is dependent on the duration of the claim. As the trend shifts from short-term claiming towards the more longer-term, this may become a bigger issue.

The assistance scheme is broad in its scope. while people over pensionable age do not have to rely on it because of the guaranteed minimum pensions. Societal attitudes towards cohabitation and marriage also seem to be such that the potential behavioural effects of treating cohabitantes as individuals do not present major policy problems.

On the *other* hand, although considerable resources are devoted to programmes which aim to move claimants into education, training, work or early retirement pensions, the evidence suggests that these schemes have not so far had great success. The social assistance scheme is increasingly becoming a last-resort system which offers many claimants little opportunity to move back into mainstream society.

Chapter 7 Finland

7.1 Background

Demography

Finland is one of the smaller countries in the European Economic Area, with an estimated population in January 1995 of 5.1 million, and projected figures for the year 2025 suggest a small population decrease. In 1993, 14 per cent of the population were 65 and above (Eurostat, 1993). but this group is set to increase until at least 2025. whilst the proportion of young people will fall (Nososco 1995).

In 1993 an estimated 14 per cent of families with children were headed by lone mothers, though this includes a proportion (between ten and 30 per cent) of women cohabiting with a man who is not the father of her child/ren. The proportion of births outside marriage in 1991 was just under 29 per cent - lower than in most of the other Nordic countries, but still higher than the average for countries of the European Economic Area (Eurostat, 1994a).

Employment and the economy

During the latter half of the 1980s the Finnish economy underwent a period of rapid expansion. Unemployment, which was already relatively low at five per cent in 1985, declined to around three per cent in 1989. Since then the economy has rapidly deteriorated, in a 'boom and bust' scenario which was reinforced by a loss of trade with the former Soviet Union. Since the beginning of 1989 unemployment has risen steadily and reached 17.7 per cent in 1993 - the highest rate of any OECD country (OECD, 1994a). There is a particular problem of youth unemployment, with the rate in 1992 standing at nearly 31 per cent. Long-term unemployment, however, has remained relatively low, at 8.2 per cent in 1992 compared to an OECD average of 28.6 per cent. The labour force participation rate has been declining since the early 1980s but was still relatively high by OECD standards at just under 75 per cent in 1992. Finland also has one of the highest participation rates by women in the European Union and OECD countries (70.6 per cent in 1992), although this too has been declining. Participation rates in 1993 are estimated to have fallen by a further percentage point.

During the 1980s the volume of government consumption grew as a proportion as GDP, but it remains below the average for the OECD. However, the actual level of government consumption and social transfers is similar to the OECD average because Finland managed to avoid an accumulation of public debt, unlike many other OECD countries. In 1992 there was a positive balance of public debt of 5.7 per cent of GDP, compared to an average negative balance for the OECD as a whole of just under 40 per cent (OECD, 1993e).

The political framework

Finland is a pluralistic, multi-party state, with a tradition of coalition government. At the time of the research the government was a centre-right coalition led by the Centre Party, with ministers also from the National Coalition (conservatives) and the Swedish People's Party. This changed after elections in April 1995 with the formation of a new coalition of Social Democrats, the National Coalition, Left-Wing Alliance, the Swedish People's Party and the Green League. The Centre Party is now in opposition.

Finland voted by referendum in 1994 to join the European Union and became a member on 1 January 1995.

7.2 The social security system

Finland has an extensive welfare system which defines a number of situations when an individual will be supported by the state. Residents have to a large extent universal access to welfare. Within welfare state typologies Finland is generally grouped with the other Nordic countries in the Scandinavian model of welfare, which places strong emphasis on labour market participation and broadly universal services and benefits, both insurance-based and non-contributory.

The Ministry of Social Affairs and Health is responsible for the legislation and overall administration of the social services and social insurance schemes in Finland. County authorities supervise the municipalities, which are responsible for service delivery at a local level.

The Social Insurance Institution (SII) administers basic insurance-based old age and disability pensions, sickness benefits and basic unemployment benefit. Pensions administered by the SII include a non-contributory minimum for those without full insurance cover, so older people are less likely than in some countries to have to claim social assistance. Earnings-related unemployment benefit is payable for a maximum of 500 days in any two years. If entitlement is exhausted, a flat-rate benefit is payable for an unlimited period, but flat-rate benefits for both unemployment and sickness are paid at lower levels than social assistance. These flat-rate benefits, however, can be higher than previous income because the minimum can exceed lower levels of earnings-related unemployment or sickness benefit. Thus people receiving minimum sickness or unemployment benefits, or a little over the minimum, were already entitled to social assistance before becoming sick or unemployed.

Social security in Finland is financed roughly half from general taxation and half from insurance contributions. In 1992, 51 per cent of social security expenditure came from the public authorities, of which 16 per cent came from local authorities and 35 per cent from central government. A further 38 per cent of finance came from employers' contributions, while employees' contributions made up only 11 per cent (Nososco 1995). Social security expenditure as a proportion of GDP has gradually increased from 21.5 per cent in 1978 to 35.4 per cent in 1992 (Table 7.1).

Table 7.1: Social security expenditure in Finnish Marks and as a percentage of GDP, 1978-1992

| | GOP FtM' (millions) | Social security expenditure as % of GAP | Index for social security exp. as ^b of GDP (1978=100) |
|------|------------------------|---|--|
| 1978 | 143,376 | 21.5 | 100 |
| 1981 | 216,660 | 21.1 | 98 |
| 1984 | 304,597 | 23.4 | 109 |
| 1987 | 386,855 | 25.4 | 120 |
| 1990 | 515,430 | 25.7 | 121 |
| 1992 | 476,778 | 35.4 | 165 |

^a Finnish Marks

Source: Nososco, 1995

7.3 Social assistance

Introduction

The benefit translatable as Social Assistance Allowance in Finland is a residual social benefit which acts as a final safety-net, payable when the claimant has exhausted all other means of obtaining income. It is residual in that it takes into account all other assets, social benefits and earnings from paid work. It is, in principle, a demand-led system *where* the individual has a legal right to claim, and

the municipality is obliged to grant social assistance regardless of its economic resources and budgetary priorities.

Other minimum safety-net benefits are the flat-rate sickness, national pension and unemployment benefits, and housing allowances (see 7.4 below), but of these only housing allowances are means-tested.

The role of means-tested social assistance is limited to a large extent by the extensive general system of insurance benefits - improved pension schemes, for example, have taken almost all old age pensioners off social assistance. However, the recession of the 1990s has led to a rapid increase in the number of people living on social assistance, including an increasing proportion of the unemployed. The increase has been due largely to a combination of higher and longer-term unemployment and the low level of flat-rate unemployment benefit.

Legislation and policy objectives

Several Poor Laws were in operation in Finland during the 19th and early 20th centuries, and the first social assistance legislation did not come into force until 1956. Assistance is now regulated by the Social Welfare Act of 1984, amended by Council of State Decisions of 1989 and 1994. The Ministry of Social Affairs and Health has also recently published a guide for municipalities on the provision of social assistance.

The law has a primary and a secondary objective. The first is to help people to be self-supporting and the second is to help people adapt to their immediate situation. The objectives incorporate the idea that social problems are not just individual but are also structural, and that this fact has to be taken into account when providing the service. The major objective is written in the preamble of the Social Welfare Act:

In this Act, social welfare refers to social services, income security, social assistance and related measures intended to promote and maintain the social security and functional ability of the individual, the family and the community.

Social assistance has traditionally played a limited role in welfare policy and until recently has been used mainly to guarantee the income of a small and marginal group of the population.

Administrative and regulatory framework

Social assistance, translatable from the Finnish as 'Living Allowance', is administered by municipal offices of social welfare in the local communities, within national guidelines from the Ministry of Social Affairs and Health. The level of social assistance was standardised through a Council of State decision in 1989, supported by governmental and normative directives. In 1991, however, parts of the normative directives were abolished and municipal discretion has consequently increased. This has occurred partly in response to the decision to give more power to municipalities and partly because of the worsening recession and increasing unemployment. As a result, while legislation provides the framework for the social assistance scheme and specifies the rates of payment, the practical issues of implementation are left largely to municipal authorities.

Since 1991, variations in both payment levels and rules of eligibility have grown. The increased financial burden placed on local authorities as a result of the recession has also meant that claimants are now more likely to encounter rigid and locally-enforced procedures. Priorities are often determined within the agency by social welfare workers and there is some evidence that local, and sometimes illegal, directives have emerged. Claimants tend to view this discretion negatively and although there is the potential to exercise positive discretion, as laid down in the law, this is reported seldom to be used by municipalities (Julkunen, 1994a).

There is also a division in the debate over state and municipal financial responsibility for assistance. Local authorities want the state to take greater responsibility for the income support safety net because of the increasing numbers of long-term unemployed and young claimants for whom the municipality is obliged to provide.

General conditions of entitlement

The Social Welfare Act states that persons are entitled to social assistance benefit if they lack income and cannot support themselves in any other way. In the Government's view, lack of income constitutes sufficient grounds for granting social assistance. There is no specific regulation obliging a person to support himself, but the regulations nevertheless indicate that a person cannot freely choose social assistance benefit as his basic means of subsistence. Claimants have to exhaust their other income possibilities before they are entitled to allowances. An appeal court, however, has ruled that the claimant does not have an automatic obligation to take paid work.

All persons who are legal residents in a municipality are eligible to apply for social assistance, regardless of age or nationality, although each personal claim has to be handled on an individual basis. There is no lower age limit for eligibility but parents are obliged to support their children up to 18 years of age.

Students are entitled to grants for higher education, although they may not be sufficient to live on. Bank loans (with some government subsidy) are also available as a top-up, but may be beyond the means of many students to repay. Social assistance is available, at the discretion of the municipality, if students are unable to find work during the three-month summer vacation. In 1994 new measures were introduced which oblige parents to contribute to student maintenance (Julkunen, 1994b).

Social assistance is available to workers who are on strike or laid off, but all benefit received is liable to be repaid. Self-employed people whose business has failed can also claim assistance.

Residence and nationality

Entitlement to social assistance is based on being resident in Finland and registered within a municipality. No formal nationality conditions therefore exist, but the ability to claim rests on the right of residence.

Refugees and asylum seekers are entitled, during a stay at the refugee centre, to a reduced rate of social assistance allowance. For the first two months there is a 15 per cent deduction, after which time it becomes a ten per cent deduction. Refugees and asylum seekers can receive a supplementary allowance for moving costs after their residence permit has been granted. Social service and welfare information is provided in foreign languages and refugees have the right to call on an interpreter, although the provision of interpreting services is not generally regarded as sufficient. It has been claimed that there is a need for better services for foreign claimants and some criticism has been levelled at their treatment by social welfare authorities (Hirsti-Snellman, 1994). Language problems may now occur more frequently due to an increasing number of local directives which are not translated into foreign languages. However, the number of people for whom these difficulties may apply is not large.

Finland recently became a member of the European Union and is thus now subject to the provisions of EU common agreements and legislation. Until then it was only covered by the European Economic Area agreement, which came into force in January 1994, but does not cover social assistance. Finland has reciprocal agreements with the other Nordic countries. Thus people from Finland can receive social assistance in any other Nordic country and can also apply for social

assistance moving costs. This right is subject to scrutiny of the claimant's income status by the receiving country.

Benefits are not portable since payment of social assistance is linked to the principle of residency in a municipality.

Duration of benefit entitlement

There are no limits for how long benefit can be payable as long as the conditions for eligibility and entitlement continue to be met.

Availability Or work and labour market policy

The requirement to seek work depends on the individual's physical and social condition. Able-bodied claimants are obliged to register with the employment office as a job seeker, to apply for Unemployment Benefit and/or take part in a job-search programme. In practice, the requirement varies between and within the municipalities. Proof of work-seeking can range from the supply of a certificate from potential employers to weekly diaries with exact descriptions of job-search activities undertaken. In some areas officers have set time limits after which the claimant would not be eligible for social assistance, although this practice is contrary to the regulations of the Welfare Act.

Unemployed people who fail to qualify for unemployment insurance or whose entitlement is exhausted can receive unemployment assistance (Labour Market Benefit). They are subject to the normal means test, unless they participate in special employment or training measures. Assistance is also payable without a means test for the first 180 days for those whose entitlement to Unemployment Benefit is exhausted. People aged over 55, who have fulfilled the employment conditions but no longer have entitlement to unemployment benefit, can also receive assistance without a means test.

For families with children under three years of age there is a partly means-tested home-care allowance which may be supplemented by social assistance if needed (usually only in exceptional circumstances). Once the youngest child reaches three years the same rules therefore apply to lone parents as to other claimants. If they are unemployed they often receive unemployment benefit, but if not they can claim social assistance. Lone parents are often encouraged to re-enter the labour market mainly by financial help with child-care costs or by the municipal provision of free childcare facilities. Before the recession, the majority of lone parents worked either full-time or part-time and required assistance mainly for housing costs and other necessary items. Help was awarded on an individual basis which could have included an earnings disregard.

Arrangements to encourage social and economic integration linked to the receipt of social assistance are scarce. In principle social assistance is supposed to involve a range of services besides purely economic assistance, including help to re-enter the labour market, but in practice these other services are limited.

Social assistance recipients are allowed to work for any number of hours, but their earnings are counted as income for the means test.

The number of self-employed claimants is rising as a result of the recession, which has hit small businesses. They are entitled to social assistance and the same conditions are applied. Precise regulations on how self-employed income should be calculated are still lacking, but a specific national guidance note is currently being prepared.

The benefit unit

The unit of entitlement is the individual or family. A family includes parents and children under the age of 18 living in the same household, married couples and a

man and a woman living in conditions comparable to marriage. In practice, the principle that determines the composition of the benefit unit is whether a person is registered as resident in the household (all people in Finland must be registered at their address on the national Personal Register which, although held centrally, is administered locally).

Either partner can claim social assistance for the family, although in practice women apply for social assistance more often than men. In couples, benefit is usually paid to the man as he is normally registered by the agency as the head of the family, but it can be paid to the woman instead at the claimant's request.

Parents are obliged to support their children up to the age of 18 and a child is normally regarded as a member of the benefit unit *if s/he* is registered as a resident in the same household. This applies to all children whether natural, step- or fostered. Children over 18 years old who live with their parents are entitled to reduced social assistance allowance. On attaining age 18, they may form their own household and claim social assistance independently. Similarly, young people under 18 can claim separately if they are living independently, but some municipalities attempt to reclaim benefit from their parents.

For cohabitation, the principle of registration as a resident in the household prevails, except that cohabiting couples of the same sex are only treated as a couple if they report their couple status and cohabitation to the authorities. Otherwise they are treated as two single persons and independent claimants. If a lone parent is cohabiting and both adults are registered in that household, benefit is allocated at the rate of a couple.

Income and assets tests

The amount of benefit is calculated according to the income and expenditure of the benefit unit, taking into account such costs as housing, health and domestic fuel. If expenditure exceeds income, the difference constitutes the amount of social assistance that is payable. The basic amount is determined separately for single persons, single parents and for families with children of various ages.

The allowance payable is calculated according to the previous monthly income of the individual or family. The income of both parents is taken into account, but since a child is not obliged to support his or her parents, the income of a child still living with its parents is not counted.

A statutory order of 1983 lays down that the whole income of the adults in the benefit unit should be counted for the income test, irrespective of the source of income. This applies to all net earnings or investments, to social security benefits, housing allowance, child maintenance, and income from sub-tenants and lodgers. Since the beginning of 1994 child allowance has also been counted in full. Small gifts or payments from charities are not counted, however, and some earnings can be disregarded if by doing so the family is more likely to become self-supporting. Such disregards are decided by local directives and although there are no set limits, some directives recommend levels of around FIM 300-500 per month (approximately US\$47-78 or 00-50). The rationale for this practice is to help claimants to overcome short-term difficulties, such as debt, thus, it is hoped, precluding the need for longer-term social assistance. In practice it appears that these disregards are not widely used.

According to a recent review of administration (Mäntysaari, 1993), 85 per cent of municipalities have tightened their procedures for means-testing social assistance. In areas of discretion, such as special payments for health costs, dentists and moving expenses (see below), these procedures have been tightened even more. In practice, many claimants now receive only flat-rate social assistance and not additional payments for these extras.

The amount of social assistance granted is not affected by capital or assets which cannot be turned into cash at the time the allowance is decided. This applies to those assets which provide the claimant with necessary living conditions, such as their home, household goods and necessary working tools. Claimants might have to sell a car, however, unless they can demonstrate that it is necessary for work or for other essential purposes. Cash savings, stocks and shares are regarded as realisable and are therefore treated as income and taken into account.

There is a 100 per cent withdrawal rate for assessable income earned above the social assistance level.

Benefit levels-

Nationally-set scale rates were introduced in Finland in 1989, with a five year transitional period up to 1994. During this period two different benefit rates (or norms) were set by the state - the basic allowance or 'net norm' and the expanded basic allowance or 'gross norm'. Municipalities were able to adjust to the new norms at their own pace, so different rates were to be found in different areas. Since 1994, however, all municipalities have been required to meet the gross assistance norms at standardized rates, but within two geographical categories. The first municipal category has higher rates primarily because the cost of living is higher in these areas. Social assistance allowances are not taxable and people receiving assistance do not pay contributions towards social insurance benefits, pensions or medical costs.

The tables below show the two rates of assistance in 1992 and the standard 'gross norm' rate for 1993.

Table 7.2: 1992 social assistance norms, in Finnish Marks per month

| Family groups as examples | 'Net norm' | | 'Gross norm' | |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | Municipal Category 1 | Municipal Category 2 | Municipal Category 1 | Municipal Category 2 |
| Single person | 1,327 | 1,271 | 1,930 | 1,848 |
| Married couple/cohabitants | 2,388 | 2,288 | 3,280 | 3,142 |
| Sole parent child under 10 | 1,924 | 1,847 | 2,799 | 2,680 |
| Family with 2 children under 10 | 3,582 | 3,432 | 4,921 | 4,713 |
| <i>Allowances for children</i> | | | | |
| First child age 10-16 under 10 years | 796 | 763 | 1,158 | 1,109 |
| Second child age 10-16 under 10 years | 597 | 572 | 869 | 832 |
| Third child age 10-16 under 10 years | 796 | 763 | 1,062 | 1,016 |
| | 597 | 572 | 772 | 739 |
| | 730 | 699 | 965 | 924 |
| | 531 | 508 | 676 | 647 |

Note: In 1992 purchasing power parities, FIM 1 = US\$0.15 and 1:0.10
Source: National informants

Table 7.3: 1993 social assistance gross norms, in Finnish Marks per month

| Family groups as examples | Category 1 | Category 2 |
|--|--------------|--------------|
| Single person | 1,983 | 1,898 |
| Married couple | 3,372 | 3,226 |
| Sole parent + child under 10 | 2,875 | 2,752 |
| Family with 2 children under 10 | 5,057 | 4,839 |
| <i>Allowances for Children</i> | | |
| First child age 10-46 under 10 years | 1,190 892 | 1,139 854 |
| Second child age 10-16 under 10 years | 1,091 793 | 1,044 759 |
| Third child age 10-16 under 10 years | 992 694 | 949 664 |
| Fourth child age 10-16 under 10 years | 892 595 | 854 569 |
| Fifth child age 10-16 under 10 years | 793 496 | 759 475 |

Note: In 1993 purchasing power parities, FIM 1 = US\$0.16 and £0.10

Source: National informants

The rate for a family with two children under 10 years in a higher-rated municipality was thus FIM 5,057 per month in 1993, equivalent to approximately US\$809 or X505 in purchasing power parities.

The rate of the standard allowance is linked to the minimum fiat-rate old age pension level. During the 1980s, benefit for a single person was set at 80 per cent of the single pension, as this aligned with the consumption patterns of the lowest income quintile. The annual uprating of old age pensions is contained in a law dating back to the 1950s and is linked to changes in the cost of living and consumer prices, rather than to wages. The recession of the last few years has meant that old age pensions have not been fully indexed to changes in the cost of living. The basis for the particular equivalence scale implicit in the benefit rates is not known.

There is also a supplementary allowance to cover extra expenses (see below). Claimants have a legal entitlement to these benefits but the municipalities have discretionary powers in deciding the amounts paid.

Other assistance-linked means-tested benefits

Most benefits in Finland are decided without a means test. This practice is reserved mainly for social assistance, Housing Allowance and for other minor benefits such as Home Care Allowance for the elderly and Special Financial Assistance for the disabled. There are no special benefits for families in work. All other social benefits, including Child Benefit and Housing Allowance, are deducted from the social assistance allowance.

One-off or urgent payments

Social assistance is designed to secure the individual or family a reasonable income and the basic allowance is meant to cover daily expenses such as food, clothing, public transport, insurance, electricity, television licences, telephone expenses and personal items, such as hairdressing and children's leisure expenses.

The supplementary benefit element of social assistance covers expenses for housing, major medical care, funeral expenses and other necessary expenses, although the rules for housing costs are not precise and the amount of payment is decided at the discretion of local officials.

The municipality can, according to the Social Welfare Act, grant a special preventive social assistance allowance. The main objective of this allowance is to prevent long-term dependency. By giving help at an early stage, the grant can help to create the necessary preconditions for claimants to support themselves. Preventive assistance can be granted to families in crisis; to young people starting a family: for mortgage capital payments; for specific expenses, or for rehabilitation or work training. The payment of preventive social assistance is at the discretion of local officials at the welfare agency. There are no limits to this allowance: it can be paid out as a lump sum or for a longer period of time. The allowances paid should not exceed more than three per cent of the total municipal social assistance budget, but in practice it is fairly rare for such allowances to be granted.

Fringe benefits and concessions

Most health and social services are free of charge for residents of Finland. This includes comprehensive school teaching and school meals, health care for school children, municipal health services (some municipalities make a yearly charge of between 50 and 150 FIM), dental treatment for people under the age of 19, and child welfare.

People with limited means can also apply separately for relief or reduced payments for any element of social and health services which require payment. The most important of these are children's day care, home help services and holiday assistance. Legal aid is also available to people of limited means. However, access to these concessions does not automatically flow from being in receipt of social assistance.

Administration and the claiming process

Applications for social assistance can be made either in writing or in person. Generally people apply in person at the welfare office, where they are given an information package and a form for completion. The claimant needs to show an identity card, proof of income, bank statement and tax and municipal registration form. Renewal of claims can then be made either by telephone or by post, although the practice varies between municipalities.

There is some division of responsibility between social welfare workers and clerical staff, but an applicant's ease is usually considered and decided by the social worker. Increasing workloads have, however, meant a greater use of other office personnel.

There is no special home visiting service unit. Social assistance is usually handled by social workers who are responsible for claimants from a specific geographical area. It is the duty of the social worker for the area to make home visits when needed and particularly in those cases where the claimant has difficulties in travelling.

Normally claims must be renewed every month, but officials can decide to authorise payments for longer periods. This often depends on the caseload at particular offices, so that in smaller communities with fewer recipients, individuals usually renew their claims once a month whereas in areas with larger caseloads, payments can be authorised for a longer period of time up to six months or one year. In the latter case recipients receive their payment automatically once a month without visiting the welfare office. Only when the circumstances change are the recipients obliged to contact the office. Changes to be reported include anything that is likely to affect the amount of benefit payable.

Welfare offices have largely abandoned the previous practice of paying the allowance in cash direct at the counter. Most claimants now have their benefit paid into a bank account or at the post office. It is still possible to have benefits paid in cash, but this is done only in exceptional cases, for example, when claimants are in acute need of money to pay for food for the weekend.

For direct payments to other parties, welfare officials have discretionary powers to take individual circumstances into account. In the case of rent or fuel arrears every application is treated individually. However, the general rule is that social assistance can be granted for arrears if the claimant risks losing a home or if there is a risk of relationship breakdown. Debts and repayment of loans cannot be deducted from benefit, but according to recent directives given by the Ministry of Social Affairs and Health, an allowance can be paid in lump sums to cover specific expenses such as loans if it improves the situation of the family. This option is seldom used at present.

Overpaid benefit can be reclaimed through other social security benefits, or from the claimant's wages if there are any, but payments can only be recovered from another person in the household if they are obliged to support the claimant. Payments cannot be recovered from the estate of a deceased claimant when this consists only of a home and basic household necessities, though in principle it is possible in some circumstances.

The most common social assistance fraud identified in Finland occurs when the claimant simultaneously receives other social security benefits, or earns income from 'moonlighting'. No special arrangements exist to detect fraud and the onus is on officials to control and protect social security benefits. They may do so by contacting the Social Insurance Institute, which pays out old age pensions and other insurance benefits, to check for dual claims, or by checking income tax records with the Tax Office. The Social Welfare Act obliges official authorities such as the Tax Office to co-operate and to supply information on a claimant's financial situation if requested. Fraud has not been not a particularly salient public issue *per se* although it is often linked to social assistance. The general assumption is that substantial fraud exists among assistance recipients (Allardt *et al.*, 1992; Sihvo, 1991; Sihvo and Uusitaio, 1994). However, no specific research or reports have been produced to check the validity of this assumption. Fraud is more commonly debated in relation to unemployment benefits, which has led to ⁵ greater scrutiny and surveillance in this field.

Claimants must usually have an address in order to claim social assistance, but there is an agency in Helsinki which deals specifically with homeless people in the city. Other local authorities administer social assistance for homeless people through the general social welfare office. There is an area-based database which aims to detect and stop people claiming in more than one area.

Decisions of local welfare offices are open to administrative appeal, first to the municipal Social Welfare Board and then to the County Court. Further appeal to the Supreme Administrative Court is not possible. A parliamentary Ombudsman reviews the administration of the appeals procedure. Access to the appeals process is generally not regarded as problematic as the decision of the local welfare agency must be made in writing and contains information on the right of appeal. However, it can take between two months and a year for a new decision to be reached. The extent to which original decisions are changed at County Court level varies considerably according to the area. It is estimated that the percentage of decisions changed in different counties varies between five and 40 per cent.

Some Finnish researchers have suggested that the awarding of social assistance can be problematic in itself. The Welfare Act states that assessment should be based on individual circumstances, but decisions *may* in practice be too uniform and where assistance is refused the grounds for decisions may not always be properly explained. This has affected claimants' inclination to use their appeal rights. Some of these problems have recently been examined in a dissertation by Huhtanen (1994). Claimants' views on the appeals system have also been studied as part of other Nordic comparative research projects on long-term assistance recipients (Julkunen, 1993; Tanninen and Julkunen, 1993). A majority of long-term recipients felt that they had been treated unfairly by the municipal authorities, but only 10 per cent had appealed. The major reasons given for not doing so concerned the

slow pace of the appeal system and doubts about its effectiveness. Respondents had little confidence in the appeal system, particularly in the local Social Welfare Board.

Administrative reviews are commissioned by the National Research and Development Centre for Welfare and Health although only the parliamentary Ombudsman can, in practice, intervene in the activities of the authorities. Individuals can lodge complaints with the Ombudsman about decisions or treatment by municipalities.

The role of non-governmental organisations in social assistance

The recent recession has led to an increase in the importance of non-governmental organisations (NGOs) concerned with poverty. One example is the revival of the unemployed workers movement. Additional help is provided in the form of food and clothing by the Salvation Army or by other churches, which are also involved in working with people with debt problems. The Government is not involved in funding any of these activities at present and their availability is limited and regional. However, the Government wishes to broaden the scope of help available through NGOs and has announced a plan to assist the unemployed and people with debt problems by financing programmes in the voluntary sector.

7.4 Housing assistance

As stated above, the supplementary element of social assistance can cover any reasonable housing costs and is available at levels which are at the discretion of the local welfare office. Besides social assistance there are three other income-related schemes for housing costs. First a general housing allowance is available to families, couples and single people of limited means. Over half of the people currently receiving this housing allowance are unemployed. Applications are handled by the national Social Insurance Institute. People receiving old age pensions can also apply for housing allowances, which are again paid by the Insurance Institute. The third scheme is for students and is administered by the national Centre for Financial Aid to Students, which distributes educational grants.

The allowance can be granted for all kinds of accommodation, both purchased and rented. Payments are dependent on the housing costs, applicants' gross earnings, the size of the dwelling and the number of residents, and up to 80 per cent of housing costs can be covered. The income test is separate and different from that for social assistance, but assistance recipients can receive extra help to meet the remaining 20 per cent of costs if necessary.

In general, housing policy in Finland favours home-ownership and housing can be expensive. High mortgage costs and tightened criteria for the general housing allowance (with an 80 per cent limit on assistance) have pushed an increasing number of people into claiming social assistance in order to meet their housing costs.

7.5 Trends in expenditure on social assistance

Unlike other social security benefits, social assistance is funded entirely from public expenditure. Depending on the municipality, between 33 per cent and 60 per cent is financed by central government and the rest comes from local taxation. Since 1993 social assistance has been financed by block grants from the Government, which has given municipalities more power over the services they provide. Social assistance expenditure for refugees is fully refunded by the state for an initial period of three years.

As a result of the increases in the number of claimants, expenditure has increased in recent years. Gross expenditure on social assistance in 1992 was FIM 1.88 billion, or 0.4 per cent of GDP, which was 20 per cent more than the previous year in cash terms (Julkunen, 1994a). Net expenditure, including benefit recovered,

amounted to FIM 1.7 billion. Total expenditure on social security was FIM 175.2 billion, so social assistance expenditure made up just over one per cent of all social security expenditure. Gross expenditure on social assistance in 1993 was FIM 2.2 billion.

Table 7.4 shows the trend in expenditure from 1982 to 1993 and the number of individual recipients.

Table 7.4: Social assistance recipients and expenditure 1982-1993

| Year | Number of persons receiving assistance | Net costs FR I (millions) |
|------|--|---------------------------|
| 1982 | 168.351 | 198 |
| 1983 | 172.185 | 235 |
| 1985 | 239.800 | 455 |
| 1986 | 283.400 | 637 |
| 1987 | 295.000 | 760 |
| 1988 | 287,700 | 794 |
| 1989 | 284.900 | 883 |
| 1990 | 314.000 | 1.078 |
| 1991 | 396.100 | 1,407 |
| 1992 | 465.000 | 1.665 |
| 1993 | 300,000 | 2.005 |

Source: National informants

Expenditure in 1992 on preventive social assistance, which can take the form of lump-sum payments, was FIM 17.1 million. The real value of preventive social assistance has reduced since 1990.

The costs of administration of social assistance are not available on their own. Instead, the administrative elements of all social security benefits - social assistance included -- are collated at a state and municipal level. The municipal administrative costs were FIM 1,249 million in 1992 and the state costs were FIM 393 million. Since 1989, expenditure at a municipal level has increased twice as much as expenditure at the state level. In 1990, administrative costs accounted for 3.6 per cent of total social security expenditure (Nososco, 1993)

Table 7.4 shows that the overall number of individual recipients increased by nearly 200 per cent between 1982 and 1993. As a proportion of the population, all those people receiving social assistance during the full year of 1993 represented approximately ten per cent, but only about half this number are estimated to be in receipt of assistance at any one time. The next section discusses the trend in numbers of recipients in more detail. The sources of all the data in this section are Nososco (1993), unless stated otherwise.

7.6 Trends in receipt of social assistance

Table 7.5 shows the numbers of different types of households (as opposed to persons) receiving social assistance since 1985.

Table 7.5: Households receiving social assistance, by household group, 1985-1992 (numbers and percentages)

| Year | Single men without children | Single women without children | Single men with children | Single women with children | Couples/cohabitants without children | Couples/cohabitants with children | Total |
|------|-----------------------------|-------------------------------|--------------------------|----------------------------|--------------------------------------|-----------------------------------|---------|
| 1985 | 51.382 | 26.227 | 1.378 | 15,808 | 10.569 | 23,888 | 129.25' |
| | 39.8 | 20.3 | 1.1 | 12.2 | 8.2 | 18.5 | 100 |
| 1986 | 59.569 | 32,353 | 1.624 | 18.177 | 13,304 | 28.097 | 153,124 |
| | 38.9 | 21.1 | 1.1 | 11.9 | 8.7 | 18.3 | 100 |
| 1987 | 63.887 | 37,252 | 1.402 | 18,317 | 15,000 | 27.761 | 163.619 |
| | 39.0 | 22.8 | 0.9 | 11.2 | 9.2 | 17.01 | 11)€ |
| 1988 | 64,146 | 38,059 | 1,476 | 18,068 | 16,177 | 25.237 | 163.163 |
| | 39.3 | 23.3 | 0.9 | 11.1 | 9.9 | 15.5 | 100 |
| 1989 | 64.599 | 40,963 | 1.864 | 17.966 | 16,523 | 23.345 | 165.260 |
| 94. | 39.1 | 24.8 | 1.1 | 10.9 | 10.0 | 14.1 | 100 |
| 1990 | 70.779 | 44,549 | 2.424 | 19.846 | 18,134 | 25.872 | 181.604 |
| | 39.0 | 24.5 | 1.3 | 10.9 | 10.0 | 14.2 | 100 |
| 1991 | 85,263 | 50,828 | 3.026 | 20.778 | 26.296 | 36.462 | 222.653 |
| | 38.3 | 22.8 | 1.4 | 9.3 | 11.8 | 16.4 | 100 |
| 1992 | 96.037 | 60.737 | 3,262 | 23.781 | 30.960 | 44.087 | 258.864 |
| | 37.1 | ² 3.5 | 1.3 | 9.2 | 12.0 | 17.0 | 100 |

Source: National informants

The distribution of household types in the claimant population has not changed dramatically, although there has been a decrease in the percentage of lone mothers receiving benefit. The biggest proportionate increase was among couples without children.

Table 7.6: Households receiving social assistance in 1992, by claimant's age

| Age | N |
|----------------|-----|
| Under 25 years | 24 |
| 25-29 years | 16 |
| 30-39 years | 24 |
| 40-49 years | 19 |
| 50-64 years | 10 |
| Over 64 years | 5 |
| Total | 100 |

Source: National informants

Table 7.6 shows that people under 30 make up by far the largest group of recipients. Of these an increasing number are students (nearly 30 per cent in 1992), in spite of the fact that they can only claim in the summer vacations.

Table 7.7 gives a breakdown of the main other sources of income in households receiving assistance in November 1992. Two-fifths were receiving flat-rate unemployment benefit and a further 25 per cent had other social security income (including child benefits).

Table 7.7: The main other sources of income of households receiving social assistance in November 1992

| | % |
|-----------------------------------|-----|
| Wages and salaries | 16 |
| Unemployment benefits (flat-rate) | 41 |
| Other social security | 25 |
| other source of livelihood | |
| No income | 10 |
| No information | 5 |
| Total | 100 |

Source: National informants

The number of families with children receiving assistance increased by just over 70 per cent between 1985 and 1992, to 71,000. Around 80 per cent had one or two children and the sizes of families receiving assistance has not significantly changed. As we saw earlier, the number of lone parent claimants has not increased as fast as other households, rising from just over 10,000 in 1985 to 16,000 in 1986. Again, most have one child (60 per cent) or two (30 per cent).

The growth in the number of young people under 30 who claim social assistance is largely the result of increasing unemployment. Cuts in other welfare payments, such as housing allowances, have also forced more people to claim, as have reductions in the minimum social insurance benefits. Amongst those most affected are disabled people, people with alcohol problems and people in financial need who require several forms of help (Heikkilä and Lehto, 1992). Higher medical costs and health expenses have also meant that more people have to claim assistance, particularly those people aged 64 and over (although that age group represent only five per cent of those receiving assistance. For families with children, unemployment and income tax increases have reduced disposable income and thus increased the number claiming assistance. Prices have also risen, including the costs of day care, which are income-related and thus rise in line with wages.

Take-up

The issue of take-up of social assistance was a major concern for government in its 1984 social welfare reform. At this time, policy makers were concerned to improve the information available to individuals on their right to claim social assistance. As a result, the number of social assistance recipients increased and concern moved away from non-take-up. Finnish social policy research has focused on the analysis of poverty in a broader perspective, but has also found a high level of non-take-up of social assistance. It was estimated in the late 1980s that only 16 per cent of households falling below the official subsistence norms received social assistance (Heikkilä, 1990), although take-up is much higher now. The reasons for non-take-up appeared to be related to the stigma of claiming and the moral and work ethic. They did not seem to be due to ignorance or the complexity of the claiming process. How far take-up is affected by the amounts of benefit to which people are entitled has not been researched. There are also some methodological difficulties involved in estimating take-up in Finland, because statistics on receipt of assistance are all on an annual basis. This makes it hard to assess entitlement during the course of the year and can lead to both under- and over-estimation of take-up (Julkunen, 1994b).

7.7 Policy issues

Public debate on social assistance

Even though the proportion of people receiving social assistance and the costs of provision have been fairly marginal, the question of public expenditure on assistance has been the subject of considerable public debate. Owing to the recession, the number of people claiming social assistance, and thus municipal costs, has increased dramatically. This growth continues to be debated both in newspapers and on television. The public debate has diversified, however, and has incorporated discussion on poverty traps, disincentive effects, the right to social assistance and the effectiveness of social assistance arrangements. The political parties have remained fairly silent on these issues and have instead been relying on governmental committees to try to produce a new income guarantee model.

The rapid increase in the number of social assistance recipients has also put enormous pressure on welfare agencies in terms of staff and financial resources. It has been argued that there is an urgent need to develop better administrative arrangements for social assistance and a transfer of responsibility to the Social Insurance Institute is being debated. Other suggested priorities include more staff to deal with assistance at the local level, and an increase in rehabilitative services

and programmes to help people get back into work, especially through greater inter-agency and cross-sectoral co-operation.

There is also an important related debate on the role of social workers in the welfare process. Currently they fulfil both benefit assessment and general social work functions. This debate has been active for decades and the discourse can be seen to reflect conflicts of interests within the administration. However, in the current recession the workload of social workers in the welfare agencies has been particularly high. In a Nordic comparative study (Julkunen, 1993a), social workers in Helsinki were found to have handled almost twice as many claims as social workers in the other Nordic capitals. As a result of the growing number of applications handled by social workers, social work as a support service is under great strain. The role of social work within welfare agencies is undergoing a period of transition but the outcome is not yet known. Social workers want relief from the payment of social assistance benefits in order to concentrate instead on qualified social work. However, they are also concerned about letting the payment side of their work go if it means that they will lose their jobs. There is no official strategy on what the new functions of social work would be within the welfare agency but different *schemes*, for example, rehabilitative work, group, network and home visiting units are being piloted in different agencies.

Long-term unemployment

Only a few longitudinal research results are available for long-term unemployed social assistance recipients. In general, the duration of granted social assistance is fairly short. In 1992, 58 per cent of recipients had received social assistance for between one and three months at the most; 20 per cent for four to six months; 11 per cent for seven to nine months and 11 per cent for more than ten months (long-term recipients). Long-term receipt is twice as common in urban municipalities as it is in rural municipalities. At present there are no specific programmes which aim to reduce the incidence of long-term dependence on assistance.

A recent panel survey on long-term recipients in the Nordic capitals (Fridberg, 1993; Tanninen and Julkunen, 1993) showed that this group in Finland (Helsinki) consisted of a high percentage of people living in atypical family patterns. Fifty-six per cent of claimants lived alone, 17 per cent lived with one other person and 24 per cent were lone parents. The tendency for long-term claiming appeared to increase with age. In addition, a substantial proportion of recipients had multiple problems, relating to ill health, drug and alcohol abuse, criminality and the lack of a social network.

As a result of these empirical results, the report put forward several proposals for policy development:

- the development of a subsidised special labour market with an active training and rehabilitation policy
- a rise in the social assistance rates in line with high living costs
- the standardisation of other benefits and an increase in the minimum benefits
- the development of a rehabilitation programme, in particular social rehabilitation
- a new organisational model based on co-operation with the Social Insurance Institute
- a qualitative intensification of social work and an improvement in the service culture.

Most of these proposals for a new agenda of reform of social assistance have been challenged, however, and there is currently no consensus on the way forward.

Poverty and the level of benefits

Formally, there is no official definition of a poverty line in Finland although in practice there are several operational definitions. The quasi-official poverty line is set to the level of full old age pension { which is thought to be inadequate by the population generally - Sihvo and Uusitalo, 1993). Another poverty line derives from the norms of the social assistance allowance. As a third poverty line, 50 per cent of the median equivalent income is used.

Poverty as a social problem was rediscovered in Finnish welfare research in the mid-1980s. The starting point for public debate was the publication of some research where the numbers of people living in poverty - below 50 per cent of average earnings - had been measured (Sailas, 1987; Paananen, 1988). The main subject of political controversy seemed to be the number of people living in poverty but not the existence of poverty itself. The concept of a new poverty' was introduced to try and explain the increases in the number of people living within it. The current public and political debate seems to have an analogous pattern. The focus is, however, somewhat different and the main theme is the number of people experiencing hunger in Finland. This debate began with a Ministry of Social Affairs report on people suffering from poor nutrition. The *report* achieved a wide international reputation and led to some political repercussions. Currently the debate is focused on whether or not the 15--20 per cent of Finnish people who experience such 'poverty' are suffering from hunger, that is no money and no food, or whether the experience is due to a new helplessness' _

The concept of polarisation and marginalisation has been debated frequently in Finland during the 1980s. In the 1990s, the problems of dualisation - dividing people into two categories: the self-reliant/the dependent or the employed/the marginalised - is the subject of debate. However, the most crucial topic of debate is the welfare state itself. which seems to have become part of a populist tug-of-war_ In the public debate the welfare state is criticised for its expensiveness, work disincentives and the creation of dependency. Measures to cut expenditure are consequently seen as necessary. Nevertheless, despite serious attacks on the welfare state, surveys suggest that a large majority of the population still strongly support it.

Attitudes towards the adequacy of social assistance benefits are divided. Surveys of benefit recipients and public opinion provide the main sources of information. Amongst recipients, the general attitude is that the level of social assistance benefits is insufficient and client studies have revealed that the benefit does not seem to cover basic daily needs fully (Mantysaari, 1992, Tanninen and Julkunen, 1993). In particular, families with children felt that the benefit was totally inadequate. Attitudes amongst officials are similar (Komiteamietinto, 1993). However, social assistance is regarded as sufficient by the general population (Sihvo and Uusitalo, 1993).

Another body of evidence on the inadequacy of benefits stems from the many studies of the problems of living on social assistance (Ritakallio, 1991; Tanninen and Julkunen, 1993). Evidence from experts in the fields of nutrition, home economics and social science is still lacking^g, although their calculations are currently being used to examine income guarantee models. However, in a Nordic comparative research project (Tanninen and Julkunen, 1993), the level of social assistance proved to be lower in Finland than in any of the other Nordic countries. Recently, the Consumer Research Unit has compared the level of assistance to the cost of a basic basket of goods. According to this measure, benefit levels are adequate (Komiteamietinto, 1993).

Exclusion

According to the parliamentary Ombudsman and to some research results (Huhtanen, 1994; Mantysaari, 1993) there seem to be certain groups of people who frequently encounter problems with receiving social assistance: they are either

excluded from benefits altogether or are granted a less generous level of assistance. The prevalence of these problems may vary between regions because of the discretion exercised by local municipalities. The groups concerned are students, prisoners, self-employed people with failing businesses, work-refusers and a new group - people in debt. These groups face problems temporarily rather than permanently and no group can be seen as entirely excluded from the last resort safety net. However, the pressures exerted might incline people to turn more to their families.

Finland is known to have few foreigners and refugees and therefore problems relating to foreign residents have not yet emerged to any serious degree. Indeed, in 1993 only 0.9 per cent of the population was made up of foreign nationals. Social assistance for refugees is funded totally by central government for three years and social services for refugees are also better organised than those for other foreign nationals.

Exclusion, defined as the inability to participate in society as full citizens, can be claimed to exist amongst long-term social assistance recipients. They do have access to social assistance but their standard of living can be very low. Total dependency on social assistance for long periods seems to lead to serious marginalisation (Tanninen and Julkunen, 1993; Julkunen, 1994).

Stigma

Everyone has a right to social assistance in Finland, but since the provision of social assistance is handled on an individual basis, an applicant must submit to an investigation which can be intrusive. The major obstacle to social assistance is linked to the image of the welfare agency: it is still a marginal service for 'marginal' people. As the image is mostly negative, people are generally reluctant to identify themselves as assistance recipients. According to a national survey (Sihvo, 1991), the majority of people felt it would be difficult to apply for social assistance because of the stigma attached to claiming. These difficulties do not vanish with experience. According to a study of long-term social assistance recipients, the majority of claimants continued to feel ashamed of receiving the benefit (Julkunen, 1993).

Efficiency of administration

The growing numbers of claimants have put considerable pressure on the administration of social assistance in Finland. The delivery of social assistance has been reviewed annually since 1991 by studies carried out for the National Research and Development Centre for Welfare and Health (Lauronen and Lehto, 1991; Lehto and Lamminpaa, 1992; Mantysaari, 1993). During this time, problems of access have increased. People applying for social assistance have to wait for two to four weeks for a full interview and people in acute need may face problems as there are no fixed arrangements for meeting urgent needs. According to the information form which is sent to the applicant, the process of assessment can take four to seven days, but in straightforward cases the decision may be made on the same day. The actual delivery of the benefit is efficient as payments are usually made directly into a bank account.

On an individual level, the information produced by welfare agencies for clients making a claim may be seen to be effective; every applicant receives an information pack which includes details on entitlement, eligibility and a calculation of social assistance. Wider publicity, however, is left largely to newspapers. Although claiming social assistance is heavily stigmatised, inadequate information and publicity about the rights, hidden 'local' directives, requirements of certificates and investigation into clients' personal lives act as further barriers to claiming social assistance. There is also no active welfare rights lobby in Finland.

Incentives and disincentives

The disincentive effects of benefits are frequently debated in Finland. There is evidence that the levels of different benefits and the relationship between income and benefits can cause poverty traps, as the marginal tax rate may exceed 100 per cent. Since there are no standard disregards there is little incentive to increase earnings unless they are high enough to take a claimant out of assistance altogether. In the debate on the income guarantee model the relationship between benefits and income has been taken into account and some proposals for change have been put forward. The structure of **housing** assistance is not thought to create any marked disincentives in itself.

7.8 Recent and forthcoming changes

The changes in the national scale rates between 1989 and 1994 have already been discussed. From 1994, child allowances are to be regarded as income and will be deducted from social assistance.

Also in 1994, the Ministry of Social Affairs and Health set up a committee to plan the development of social assistance and other minimum income security programmes. A general state-financed income guarantee model is under proposal, but at present several variations of the model are being discussed. In addition, the Government proposes to transfer part of the administration of payments from the local municipalities to local branches of the Social Insurance Institute. A trial took place in 1993 in 11 municipalities where the SIT assessed some social assistance payments, in particular those where the assistance was needed to compensate for insufficient social security benefits. These trials resulted in the proposal of four alternative models of social assistance provision. Reform, however, will not take place until 1996 at the earliest.

A committee has been examining the special social assistance arrangements of prisoners, which has been regarded as problematic because of uncertainty over the respective responsibilities of the prison service and the local authorities. A proposal was to be put forward in the course of 1994.

The Ministry of Social Affairs has also proposed a new programme to help indebted and unemployed people.

7.9 Overall performance

Social assistance in Finland appears to be broad and inclusive in its coverage and availability, and problems of access for particular groups seem to be fairly minor. It now has nationally-set scale rates, though it is not clear how far the distinctions between the two municipal categories accurately reflect differences in living costs for people on low incomes. As in other Nordic countries the means test is comparatively rigorous. The lack of any established system of earnings disregards does not offer very strong incentives for people to seek work, although the temporary availability of unemployment assistance on a non-means-tested basis may help in this respect. Opinion in Finland appears to be divided as to the adequacy of the rates of assistance. In comparison to other countries in the study, rates of social assistance in Finland appear to be relatively high, particularly after housing costs are taken into account.

There seem to be some difficulties with the administration of benefits - which may have been exacerbated by the rapid increase in claims as a result of the recession. In particular, as in the other Nordic countries, the increase in claimant numbers is putting some strain on the traditional social work element of assistance arrangements. There also appears to be a fairly high level of stigma attached to receipt of assistance. Partly this is likely to be an inevitable consequence of a system where most social protection is provided through non-means-tested benefits and where recipients of assistance have, in the past at least, been mainly marginal groups.

Chapter 8 France

8.1 Background

Demography

In January 1994 France had a total estimated population of 57.8 million, making it the third most populated country in the European Union (Eurostat, 1994a). The population increase in 1993 was a little higher than the EU average, as was the fertility rate (1.73). The latter rate was still below replacement levels, however, in spite of longstanding pro-natalist policies. The overall age profile of the population is similar to other EU countries, with about 19 per cent aged over 60 years - projected to increase to 26 per cent by 2020 (Family Policy Studies Centre, 1993). Although like other countries France faces a problem of ageing, this is not projected to be as acute as in several other EU and OECD countries (DSS, 1991).

France has the lowest marriage rate in the EU and a relatively high divorce rate. In 1992, it also had the highest rate of births outside marriage after Denmark (33 per cent). This seems likely to be an indication of widespread cohabitation rather than lone parenthood, since in 1990/91 only 11 per cent of families with a child under 15 were estimated to be headed by a lone parent, as opposed to 19 per cent in the UK (Eurostat, 1994b).

Employment and the economy

In the mid-1980s unemployment was falling in France, but since 1990, in the recent recession, it has been rising again, reaching 11.6 per cent in 1993 compared to the OECD average of 7.8 per cent (OECD, 1994a). Unemployment for women and for young people under 25 is also higher than both the EU and OECD average. In 1992, people unemployed for a year or more made up just over 36 per cent of all those out of work - again higher than the OECD average, but somewhat below the EU average of 42 per cent (OECD, 1994a).

The political framework

France is a unitary state, divided into 22 regions and 95 *departments*, including the island of Corsica and five overseas *departements*: French Guyana, Guadeloupe, Mayotte, Martinique and Reunion. There is a presidential government and a parliament consisting of the National Assembly and the Senate. Between 1981 and 1995 the Presidency was occupied by the Socialist, Francois Mitterand. In 1995 it was won by the Gaullist, Jacques Chirac. The Prime Minister is appointed by the President, as is the Cabinet on the Prime Minister's recommendation: ministers do not sit as members of parliament. The Socialist administration of President Mitterand pursued increasingly centrist policies in its later years in response to economic problems and rising levels of unemployment. In local elections since the presidential election, there has been a significant increase in political support in some areas for the right-wing National Front.

8.2 Social security system

The social security system in *France* is highly complex. Its roots are in the social insurance model aimed, as in Germany, at maintaining income levels when absent or retired from the labour market. The forms of protection available have been based primarily on the 'standard employment relationship' (that is, full-time, permanent work with lifelong insurance contributions). In the immediate post-War

period, precedence was given to social insurance arrangements over social assistance provision.

There has been a growth in the scale of the total French social security system and an imbalance in the relationship between contributions and benefit expenditure. In aggregate the deficit on the four principal funds (health insurance, occupational injuries, pensions and family benefits) was approximately FF15.3 billion in 1992, rising to FF54.4 billion in 1994 and projected to be FF50.5 billion in 1995 (*Commission des Complexes de la Sécurité Sociale*, 1994). At the end of 1992, the cumulative deficit on the whole social security budget was estimated as FF35.3 billion (DSS, 1993a, p.12).

Within the general social security system there are a number of occupationally-based schemes for different categories of workers and their families. A core scheme, the *Régime Général*, is broadly based and provides insurance-based coverage for sickness and occupational injuries, maternity, the family, old age and death: coverage is provided to approximately 70 per cent of the population, but varies according to the risk. An agricultural scheme, the *Régime Agricole*, provides coverage for employees and the self-employed, with employees receiving coverage on the same basis as for the general scheme, while the self-employed are not covered for occupational injuries or sickness. Contributions finance only 20 per cent of benefits, with the balance coming from levies, VAT, general taxation and transfers from the *Régime Général*. A series of special schemes exists for civil servants, railway workers and miners, and conditions vary from scheme to scheme. There are, finally, a range of schemes for self-employed people, offering protection against sickness (to meet health expenses rather than to replace income), maternity and old age. Legally-enforceable rules regulate the financing and administration of schemes. Funding comes mostly from employers' and employees' contributions.

In addition to the main schemes listed above, there are a number of supplementary social security schemes: the supplementary pension schemes (*Régimes Complémentaires de Retraites*), compulsory since 1972 for employees in both the general and agricultural schemes. All insured employees may receive a supplementary pension in addition to those provided under a general scheme. The various separate schemes are grouped together in two associations: the *Association Générale des Institutions de Retraites de Cadres (AGIRC)* and the *Association des Régimes de Retraites Complémentaires (ARRCO)*.

Unemployment compensation is not strictly part of the social security system in France. Unemployment Benefit was created by collective agreement in 1958 and is administered at the local level by ASSEDIC (*Associations pour l'Emploi dans l'Industrie et le Commerce*). Combining each ASSEDIC is a national structure called UNFDIC (*Union Nationale pour l'Emploi dans l'Industrie et le Commerce*). For the insurance scheme, however, there is a form of compulsory cover, financed by contributions from employers and employees. There are two elements, both administered on a joint basis by representatives of employers and employees, consisting of an insurance scheme and a solidarity scheme, the latter being funded by the state.

The most general law in the field of social security is *Le Code de la Sécurité Sociale* (1956) revised in 1985. Many of the unemployment schemes are regulated by the *Code du Travail*.

8.3 Social assistance

Introduction

In France there are many different assistance benefits, designed for specific categories of person or to meet specific needs. Only recently, by a law of December 1988, has a general assistance scheme been established, the *Revenu Minimum d'Insertion*. As described in detail below, there are eight social minima benefits

(including the RMI). These various schemes are regarded as playing an important role in the maintenance of social solidarity.

Legislation and policy objectives

In the absence of a unified scheme, the social assistance benefits derive from separate legislation and have different objectives. These are described below for each of the social minima.

Administrative and regulatory framework

There are three elements to social assistance in France:

- *The social minima*

These are nationally-defined benefits and are not, theoretically, subject to administrative discretion. They mainly act as supplements to insurance-based payments for particular categories of people and are generally administered by the relevant insurance organisation.

- *Other income-tested benefits*

These include various housing and family benefits.

- w *Local social assistance*

These are more discretionary, local schemes, and include assistance in kind or in public services rather than cash benefits.

The *Code de la Famille et de l'Aide Sociale* provides the legal context. Most of the following sections deal with the social minima, but there are shorter sections later describing the other benefits.

Social minima: general description

There are at least eight social minima. Seven are targeted at specific populations and one, the *Revenu Minimum d'Insertion* (RMI), is intended as a general 'safety net' for those ineligible for the other social minima. The minima are administered by different branches of the French social security system. Some are financed by social contributions and others are financed by the state. In principle there is no administrative discretion involved in the social minima. There is no variation in the amounts paid to claimants between the regions in metropolitan France: payments in the overseas *departements*, however, are lower for the RMI, the *Allocation de Parent Isola* (API), *Allocation d'Insertion* (AI) and *Allocation de Solidarité Spécifique* (ASS), but not for the *Minimum Vieillesse* (MV), *Allocation d'Épargne* (AV), *Minimum Invalidité* (MI) or *Allocation aux Adultes Handicapés* (AAH).

Some recent reports have found that the levels of the *Revenu Minimum d'Insertion* are inadequate and that claimants are partly *reliant* upon financial contributions from relatives and friends. However, there is no official 'poverty line' in France. Social minima can be updated twice yearly by governmental decree in line with prices, but this is not automatic.

Claimants can apply in person or by post for the benefits and are given or sent the forms to complete. They would normally also be invited for interview. Awareness of eligibility and entitlement to the social minima is thought to be fairly high. Although there are no statistics available, early studies, based on small samples, suggested the rate of non-take-up to be around ten per cent (though this is thought to be an under-estimate). There are no statistics concerning the numbers of claims in the past year or the rate of successful applications. Social workers are seen as important channels of information to potential claimants, but the availability and quality of social security literature in minority languages varies between the regions.

The benefit unit taken into account for all the social minima is the nuclear family. There is no individual right to benefit, as the presence of a partner and other family members is always taken into account, except, by definition, in the case of the minima for lone parents and widows. Either partner may claim social minima, but those under 25 years are not entitled to benefit in most cases: awards of the RMI can be made to people under 25 only on special request and in very *rare* circumstances. People under 25 have access to local discretionary payments, schemes and support funded by the *aide sociale* budget, or by a special fund for young people which was set up in 1993 (*Fonds d'Action Jenne*).

The presence of dependent children does not affect the amounts of *Allocation d'Insertion*, *Minimum Vieillesse*, *Allocation Veuvage* or *Allocation de Solidarité Spécifique* that claimants receive, but extra amounts of *Allocation aux Adultes Handicapés* and *Allocation de Parent Isolé* are payable where there are dependent children under 16. In certain circumstances, the definition of a dependent child may be either under 18 years or under 20 years, depending whether they are a student or unemployed. In the case of the RMI, children under 25 years may be considered as dependent.

The income and resources of a claimant (and partner if *there* is one) are taken into account for all of the social minima. but there are different earnings disregards for each of the benefits- There are no special earnings disregards for specific groups of claimants, except for some contracts covered by RMI. There are two very complicated systems of evaluating the incomes and resources of the self-employed in agriculture and in other professions. Once eligibility for the social minima is decided, a claimant's resources may in most cases rise above the financial ceiling which determined the original eligibility. This is not, however, the case for RMI and API, and the rules are regarded as being complex, mainly because of the wide variety of social minima. In addition, the assessment period for earnings used to determine level of benefit varies between three and 12 months according to the individual benefit.

The interaction of each of the social minima with one another, and with other cash benefits, is also regarded as complex. For example, only a small part of some housing benefits is included in the assessment of eligibility for RMI (*forfait logement*). Claimants of the social minima are covered by illness and maternity insurance and can receive grants for school meals, child care, and in some areas they can receive Christmas gifts and food from the local communes. There is no 'passporting' of benefits, however, and these other forms of social assistance are not linked to the social minima in any way. However RMI recipients are exempt from local taxes.

General conditions of entitlement: Although *there* is no obligation for claimants of MV, MI, API and AAH to demonstrate that they are actively seeking, and are available for, work, this is a condition of eligibility for AI and ASS recipients. AI and ASS recipients must register at the local *Agence Nationale pour l'Emploi* (ANPE); RMI recipients may also register, but this is not mandatory. At the ANPE, unemployed people must declare that they have not found work and must complete and return a questionnaire each month, detailing hours worked and any changes in circumstances. The ANPE can call claimants in to offer them work but this is rare and the controls are not very stringent, except perhaps for non-French nationals. There is no reported problem of unemployment or poverty traps arising specifically *from* these minima, because people in work are also entitled to housing benefits, means-tested family benefits and insurance cover for health needs. However, RMI recipients may be better off because of full rebates of health costs.

Residence and nationality: The French social security system has reciprocal agreements with all EU countries, its ex-colonies and certain other countries. However, whilst AV, part of MV, MI and API can be taken abroad, AI, AAH, ASS, RMI and part of MV are not exportable. EU citizens, but not tourists, can claim social assistance if they satisfy certain residence conditions. Refugees can

receive certain of the social minima if they satisfy a three-year residence rule, and this condition is waived for RMI. Entitlement to RMI for foreigners is dependent upon being in possession of a '*carte de resident*' (usually covering a ten year period) or being resident in France with an official temporary '*carte de ,velour*' for at least three years (first supplementary condition) and with proof of having been in employment for those three years (a second condition, often regarded as somewhat discriminatory).

Administration: All claimants have to report changes in their financial, housing or household circumstances. There are no cash payments (except to some homeless people); the social minima are paid into bank or post office accounts. Until recently there has been no important public debate or discourse about social security fraud, though home visits are sometimes made to check that the circumstances of recipients, especially lone parents, are as reported. However, during 1994, the growth in RMI numbers, especially in the Paris region, has accentuated a concern with fraud. The number of visits to validate circumstances increased from 6.100 visits (in respect of 37,000 recipients) in 1993, to 13.000 visits (for 40,000 recipients) in 1994. Identity has to be proved by any recognised means.

If *there* is an overpayment, the amount is deducted, on a percentage basis, from future payments, but debts can be waived in individual circumstances. Other methods of repayment may be arranged, depending upon the reason for and the scale of the overpayment. No deductions from the social minima can be made at source for debts such as fuel payments.

All claimants may appeal to local commissions (*Commission de Recours Amiable*) about administrative decisions. If the appeal is rejected, claimants can then appeal to the *Tribunal des Affaires de Securite Sociale*, a court specialising in social security. For the RMI, claimants appeal at the local level to the *Commission Departementale d'Aide Sociale*. The *departements* and organisations administering the social minima are also subject to scrutiny and review by mediators appointed by the *Caisse Nationale des Allocations Familiales* (CNAF) (for RMI, API and AAH) and by the national mediator (Ombudsman) concerned with all public services.

Individual social minima

1. Minimum Vieillesse (MV)

Several benefits for the elderly are covered by this general term. These benefits were introduced between 1941 and 1963. People over 65 (or 60 if disabled) usually receive several partial benefits. There is no limit on the duration of payments. Certain foreigners are eligible to receive the benefit if there is a reciprocal convention between France and their home country and they have been resident in France for ten years. The maximum amount for a single person in January 1994 was FF3,192 per month (around US\$488 or £307) and for couples it was FF5,927 per month (US\$906 or £579). MV is often paid as a top-up to contributory retirement benefits. It is distributed by the pension funds, which are reimbursed by the state.

2. Allocation aux Achilles Handicapes (AAH)

This is allocated by the *Caisse d'Allocations Familiales* (CAF) at *departement* level and reimbursed by the state. It was introduced in 1975. Recipients must be over 20 years of age but under 60 years. They must have a permanent disability with a minimum rate of 80 per cent, or a disability with a minimum rate of 50 per cent and be classified as incapable of work. They must not be in receipt of an invalidity benefit and must have resources below the prescribed amount. The benefit is payable for up to five years, at which point there is a medical test prior to renewal. The maximum amount a single person may receive is the same as that for MV. There is, on average, a delay of five months between claiming and receiving AAH.

Table 8.1: Expenditure on *Allocation aux Adultes Handicapés*. 1978--1993, millions of Francs at current prices (metropolitan France and overseas *départements*)

| | |
|------|--------|
| 1978 | 2,903 |
| 1980 | 5,273 |
| 1982 | 9,654 |
| 1984 | 11,582 |
| 1986 | 12,829 |
| 1988 | 14,174 |
| 1990 | 15,687 |
| 1992 | 17,268 |
| 1993 | 18,069 |

Source: CNAF. 1994a

In purchasing power parities, expenditure on AAH in 1993 was equivalent to approximately US\$2.76 billion or £1.74 billion.

3. *Allocation de Parent Isolé*. (API)

This is a benefit for lone parents, which was introduced in July 1976 and is also the responsibility of CAF. There are no job search conditions and no disregards on income. If the claimant shares a flat with a member of the opposite sex, s/he is not considered to be a lone parent. Claimants are more frequently visited than RMI recipients to check that they are not cohabiting, though the visiting policy varies considerably by region. For example, Messu (1992) reported that in some areas the CAF officials refused to enforce the regulations -- 'for reasons of ethics and the neutrality of the state' (p.77).

Benefit is paid for 12 months or until the youngest child is three years old. In January 1994 the benefit rates were FF3,081 per month for a lone parent (or single pregnant woman), plus FF1,027 for each child. Thus a lone parent with two children received FF5,135 per month (around US\$5785 or £493). There were 143,450 recipients in December 1993, of whom 99 per cent were women. Just under 70 per cent had one or more children under three years. Forty-seven per cent were single and 45 per cent were separated. In total the benefit cost FF4,575 millions in 1993. The average time taken to process a claim for API is 24 days.

Table 8.2 gives a breakdown of recipients in December 1993 by sex and lone parent status.

Table 8.2: Recipients of *Allocation de Parent Isolé*, December 1993

| Status | Men | Women | Total | Percentage |
|-----------|-------|---------|---------|------------|
| Single | 217 | 67,073 | 67,290 | 46.9 |
| Widowed | 143 | 2,210 | 2,353 | 1.6 |
| Divorced | 93 | 6,970 | 7,063 | 4.9 |
| Separated | 1,290 | 62,759 | 64,035 | 44.6 |
| Other | 290 | 2,419 | 2,709 | 1.9 |
| Total | 2,019 | 141,431 | 143,450 | 100 |

Source: CNAF. 1994a

API is regarded as a generous benefit, encouraging fertility and providing a substitute income for women with children (see Messu, 1992). It is also believed that the close correspondence between the minimum wage and the level of API could act as a disincentive to female labour supply. As such API may be regarded as a form of social wage rather than a poverty benefit.

Table 8.3 shows expenditure on the API between 1978 and 1992.

Table 8.3: API Expenditure 1978-1993, FF millions at current prices (metropolitan France and overseas *départements*)

| | |
|------|-------|
| 1978 | 534 |
| 1980 | 1.094 |
| 1982 | 1.727 |
| 1984 | 2,703 |
| 1986 | 3.380 |
| 1988 | 3,766 |
| 1990 | 4,104 |
| 1992 | 4.310 |
| 1993 | 4.579 |

Source: C AF_ 1994a

4. *Minimum Iovahdite (MI)*

This benefit is for people who are sick, or disabled through a non-work-related accident, and cannot work. It was introduced in 1930, and is administered by the sickness insurance branch (*Branche Maladie*) and financed through social security contributions. It is renewable and there is no time limit to the duration of the claim. From January 1994, a single person could receive a maximum of FF3,192 per month (US\$488 or £307). Although proof of regular residence is required, there are no nationality conditions and no requirement to have been resident in France for a particular length of time.

5. *Allocation Veurage (AV)*

This minimum was introduced in 1980 and is specifically for widows of less than 55 years of age, who are rearing or who have reared children. Only partners of former wage earners or farmers may claim it: partners of other self-employed people may not. It is financed through social security contributions and administered by the *Branche Vieillesse*, or the *Caisse de la Mutuahte Son ale Agricole (CMSA)* for farmers' widows. Widows may receive a maximum of FF2,927 per month (US\$448 or £280) in the first year of claiming. This amount decreases yearly and has a three-year time limit. If the claimant was at least 50 when her partner died, then there is a possibility of extending the claim for a further two years.

6. *Allocation de Solidarite Specif que (ASS)*

This is a state benefit for the unemployed whose entitlement to unemployment insurance benefits is exhausted (mainly the long-term unemployed). It was introduced in 1984. There are no clear job search requirements, but recipients must be under 65 and must have worked for five years out of the previous ten. It is awarded for renewable periods of six months and there are no limits to the duration of benefit. It is financed two-thirds by the state and one-third by contributions from civil servants and is administered by the unemployment insurance branch (*Branche Chamage*). The maximum amount an individual may receive is FF72.92 per day (around US\$11 or £7), although this amount can be increased to FF104.73 per day if the claimant is over 55 and has worked for at least 20 years.

7. *Allocation d'Insertion (AI)*

This benefit was introduced in 1984, but has dwindled in significance since 1992 because young adults between 16 and 25, and lone mothers with too little employment history (its original target groups), are no longer entitled to it. It is currently claimed mainly by categories of people who are not entitled to either Unemployment Benefit or ASS, such as expatriates, stateless people, asylum-seekers and ex-prisoners. AI is funded two-thirds by the state and one-third by contributions from civil servants and is administered by the *Associations pour l'Emploi clans l'Industrie et le Commerce (ASSEDIC)*. Claims are limited to 12 months and an individual may receive (at January 1994) a maximum of FF43.70 per day or FF1,259 per month -- a rate which has remained unchanged since 1986.

8. *Revenu Minimum d'Insertion (RMI)*

The RMI was introduced in 1989 as a last resort benefit for unemployed people without access to other insurance-based or means-tested support, and with a specific policy aim of helping recipients to re-integrate into the labour market or into society more generally. It is a national benefit, administered at the local level by the *Caisse d'allocations Familiales (CAF)*. The benefits are financed by CNAF, which is in turn reimbursed by central government from general taxation. Individuals covered by the *Régime Agricole* are paid by the *Caisse de la Mutualité Sociale Agricole (CMSA)*. The insertion component of RMI is administered and funded via the *départements*, which have to spend around 20 per cent of the total amounts of benefit on the insertion element (for example, job training, education and counselling). The *departments* also have to pay for the personal medical insurance of RMI recipients.

There is evidence of tension between the two levels of administrative authority, and these tensions are growing. In September 1994, central government proposed that the *departments* contribute 25 per cent of the cost of the benefit, in addition to the cost of the integration agreements. The Chief Executives of the *départements* were strongly opposed to this proposal because full reimbursement was promised for one year only. Thereafter it was proposed that the grant allocated by the state for decentralised services would increase only in line with prices, whereas the RMI budget would increase more rapidly. The proposal was withdrawn in November 1994.

People aged under 25 years are not eligible for the RMI unless they have children or are pregnant. Non-French nationals are eligible only if they have been resident in France for three years. Benefit is payable for three months in the first instance, with payment beyond being theoretically conditional upon a negotiated 'insertion contract'. It may be renewed for between three and 12 months, but without limit on the total duration. Rising levels of unemployment are placing strain on the budget for the RMI, especially at *department* level. The result is that an increasing proportion of recipients are not engaged in integration activities because they are too costly to organise and implement. RMI was amended in July 1992 to include free medical treatment for the whole of the recipient's family. RMI recipients are entitled to a special disregard set against earnings to compensate for housing costs (the *fofait /figment*). They are also entitled to receive goods and services in kind (*via action sociale*), but the RMI is not a passport to these benefits.

The maximum monthly benefit payable to a single person (in metropolitan France) in the second half of 1994 was FF2,298 per month, with a further FF1,149 (50 per cent) for the second person, FF689 (30 per cent) for the third and then FF919 for each dependent person thereafter. Using 1993 purchasing power parities, the single person rate was equivalent to approximately US\$350 or £220 per month.

Benefit entitlement is assessed on the basis of a means test, taking into account all household resources. For owner-occupiers, all those in receipt of housing benefit and those who live rent free, the benefit is reduced by FF267 per month for a single person and FF 553 for a couple.

Table 8.4: Total expenditure on the RMI 1989-1993 (millions FF)

| Year | All France | Annual increase |
|------|------------|-----------------|
| 1989 | 6.082 | |
| 1990 | 10.024 | 64.8 |
| 1991 | 11,793 | 17.6 |
| 1992 | 13,522 | 14.7 |
| 1993 | 15,853 | 17.0 |

Source: CNAF, 1994b

Table 5.5: Number of RIM recipients. 1989-1993

| Year | Numbers | 6 month increase |
|---------------|---------|------------------|
| June 1989 | 356,609 | |
| December 1989 | 407,081 | 14.2 |
| June 1990 | 463,377 | 13.8 |
| December 1990 | 510,145 | 10.1 |
| June 1991 | 549,596 | 7.7 |
| December 1991 | 582,361 | 6.0 |
| June 1992 | 618,603 | 6.2 |
| December 1992 | 671,242 | 8.5 |
| June 1993 | 724,865 | 8.0 |
| December 1993 | 792,944 | 7.9 |

Source: C'NAF. 19941

In December 1993 there were 792,944 recipients of RMI compared with 582,361 in December 1991 -- an increase of 27 per cent. Eighty-six per cent of recipients are in metropolitan France. The benefit is received by 2.3 per cent of the population in metropolitan France and by 16.0 per cent in the overseas *departments*. The increase in numbers receiving RMI is partly attributable to increased levels of unemployment and partly to changes in the eligibility rules for Unemployment Benefit.

In 1992, 58 per cent of recipients were single men or women without dependants. Twenty-one per cent were lone parents and 21 per cent were couples. The average age of recipients was 38 years. Receipt was higher in urban areas than rural locations. In metropolitan France, 42 per cent of RMI recipients had a benefit of between FF1,750 and FF2,000 per month. Twenty-one per cent of all RMI recipients received less than FF1,250 per month, and only 5.2 per cent of all recipients received more than FF3,000 per month. Forty-six per cent of RMI recipients had no other reported income.

In 1993, about 30 per cent of the recipients of RMI were in either employment or training. Of those who were employed, over 60 per cent were subject to a 'solidarity-employment contract' which involves not-for-profit activities (mainly in local community associations or public institutions). The state meets most of the cost of these contracts, which are usually of 12 months duration but which may be extended for a further year.

Another form of contract to which RMI recipients may be entitled is the '*contrat de retour a l'emploi*' (contract to return to work), under which the employer is exempted from social insurance contributions - which in France can be substantial. This scheme covered 14,800 RMI recipients in 1993. There are other schemes which provide incentives to certain employers to engage RMI recipients (and others who may not be RMI beneficiaries), such as '*entreprises d'insertion*' and '*associations intermediaires*'.

Some estimates of take-up have been made: the methodological foundations for these estimates are considered to be weak but they all suggest that non-take-up is less than ten per cent. There is no evidence about the combined effects of means-tested benefits on work incentives.

Other assistance-linked income-related benefits

Housing benefits, family benefits and other cash assistance are nationally determined and financed through contributions to the *Branches Famille, Departementales* and *communes* collect funds from local taxes and from national state transfers.

The various types of housing benefit cover mortgage interest payments and rents in both social and private rented accommodation. Housing costs, however, are not

met in full and depend, to some extent, upon household composition, the rent level and the number of children living with the claimant.

Local benefits and services

A tripartite distinction is made between *Aide Sociale* which can be provided by both the *departements* and the state; *Action Sociale*, which is provided via three national branches of the social security system; and the *Centres Coimmunals & Action Sociale* (CCAS) of the larger communes.

The total social assistance budgets of the 95 *departements* amounted to FF45 billion in 1990. Each *departement* has its own range of social services, and none are organised on a national basis. All communes also have administrative responsibilities through the '*centre communal d'action sociale*'. In some instances communes combine to create a '*centre intercommunal d'action sociale*'.

At the *departement* level, *Aide Sociale* consists of:

- *Aide Sociale d l'Eafance* (ASE), which has two components: *Aide d Domicile* (at home assistance) for children living at home and which may be either a cash benefit, help for housekeeping or support for a special tutor. This part of ASE is growing. The second component is *Prise en Charge Physique*, a benefit for children in foster care or children's homes (See Table 8.6).
- Social assistance for disabled people also has two components. The first is *Aide Ca Domicile*, which is composed of help for housekeeping: this can be either a cash benefit or a direct service. In addition there is an *Allocation Compensatrice* to compensate people who need assistance in day-to-day living or who are working and who incur additional costs by virtue of their disability. Special payments are available to contribute to dietary requirements. The second component is *Aide a l'Hebergement*, for disabled people living in residential accommodation.
- Aid for older people: the same range of provisions as for disabled people.
- Medical aid: this is in three parts; *Cotisations d'Assurance Personnelle*, by which the *departement* pays the contributions for sickness insurance on behalf of RMI and other persons not covered by sickness insurance; *Aide .Medicale a Domicile*, which covers, either fully or partly, health-care needs other than hospitalisation; *Aide Hospitalier•e* - as above but for hospital care.

At the state level. *Aide Sociale* consists of:

- Aid for disabled people in the form of day centres and training units (*Centres dAide par le Travail*)
- special help for homeless people
- some special cash benefits.

Although the arrangements for *Aide Sociale* may be considered discretionary, being the responsibility of the local *Commissions*, they are not without some rules of entitlement.

Table 8.6: Expenditure on social assistance (*departements*)

| FRANCE (MET) | Francs millions current | | | | | | |
|--|-------------------------|----------|----------|----------|----------|----------|----------|
| | 1984 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 |
| Aide sociale a Fenfance | 14,962.9 | 15,875.3 | 16,205.9 | 16,695.5 | 16,792.2 | 19,613.9 | 18604.2 |
| Aide sociale aux personnes | | | | | | | |
| handicapees | 7,962.7 | 9,255.1 | 9,631.6 | 10,202.4 | 10,979.7 | 12,251.4 | 13,550.6 |
| - home | 4,379.5 | 4,841.1 | 5,175.5 | 6,467.4 | 5,942.6 | 6,467.2 | 7,084.0 |
| lodging | 3,344.3 | 4,283.4 | 4,356.7 | 4,653.3 | 4,983.2 | 5,717.6 | 6,376.5 |
| - special education | 238.9 | 130.6 | 99.4 | 81.7 | 53.9 | 69.6 | 90.1 |
| Aide sociale aux personnes | | | | | | | |
| agees | 6,542.7 | 6,142.2 | 6,054.4 | 5,992.6 | 5,977.2 | 6,211.5 | 6,265.8 |
| home | 1,798.1 | 1,619.7 | 1,566.1 | 1,421.0 | 1,453.1 | 1,481.3 | 1,479.7 |
| lodging | 4,749.7 | 4,522.5 | 4,488.3 | 4,571.6 | 4,524.1 | 4,730.2 | 4,786.1 |
| Aide medicale | 2,017.0 | 1,900.4 | 2,167.1 | 2,267.5 | 2,610.9 | 3,214.5 | 3,601.2 |
| - general | 1,790.8 | 1,747.1 | 2,014.9 | 2,126.3 | 2,444.5 | 3,074.3 | 3,466.3 |
| - home | 635.8 | 683.3 | 644.2 | 719.2 | 864.9 | 1,757.7 | 851.7 |
| hospital | 1,155.0 | 1,063.8 | 956.4 | 915.3 | 882.7 | | 785.2 |
| - personal insurance | | | | | | | |
| contributions | | | 414.3 | 491.8 | 726.9 | 1,309 | 1,829.4 |
| medical aid to the mentally ill | 195.9 | 132.9 | 136.7 | 133.6 | 128.6 | 133.0 | 126.5 |
| medical aid to those with tuberculosis | 30.3 | 20.4 | 15.5 | 7.6 | 7.8 | 7.2 | 8.4 |
| SUB-TOTAL | 31,490.3 | 33,173.0 | 34,059.0 | 36,158.0 | 36,340.0 | 39,294.3 | 42,021.8 |
| Administration of social assistance | 1,839.6 | 2,151.9 | 2,318.2 | 2,462.4 | 2,524.0 | 2,667.4 | 2,910.9 |
| General expenses | 348.0 | 549.3 | 1,187.6 | 1,281.3 | 1,399.6 | 1,513.4 | 1,652.7 |
| TOTAL | 33,677.9 | 35,874.2 | 37,564.8 | 38,901.7 | 40,263.6 | 43,475.1 | 46,585.2 |

¹ A financial responsibility of *departements* since 1987, and linked to RM1 entitlement since 1989

Source: Ministry of Social Affairs, 1994

Table 8.7: Expenditure on social assistance (state)

| FRANCE (MET) | Francs millions current | | | | | | |
|--|-------------------------|---------|---------|---------|---------|---------|---------|
| | 1984 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 |
| Aide sociale aux personnes | | | | | | | |
| handicapes | 2,922.7 | 2,825.9 | 3,246.2 | 3,396.7 | 3,588.3 | 3,892.4 | 4,176.6 |
| - Sheltered workshops | 2,710.3 | 2,677.1 | 3,115.9 | 3,284.7 | 3,487.4 | 3,801.4 | 4,097.2 |
| - Professional re-training | 54.6 | 22.5 | 86.9 | 2.1 | 1.0 | 4.6 | 0.5 |
| - Differential benefit | 157.8 | 132.3 | 123.4 | 109.9 | 99.9 | 86.4 | 78.9 |
| Residential & rehabilitation centres | 1,577.2 | 1,558.3 | 1,698.1 | 1,724.0 | 1,781.2 | 1,933.7 | 2,024.7 |
| Of no fixed abode | 1,162.8 | 1,370.0 | 1,081.3 | 1,144.7 | 1,105.7 | 1,040.1 | 1,116.4 |
| Medical aid | 745.3 | 887.4 | 664.8 | 707.0 | 672.9 | 644.5 | 711.6 |
| Other forms of social assistance | 417.5 | 462.6 | 416.5 | 437.7 | 432.8 | 395.6 | 404.8 |
| Aide medicale | 2,190.9 | 495.0 | 7.4 | 5.8 | 5.6 | 4.9 | 4.8 |
| - Termination of pregnancy | 8.0 | 8.0 | 7.4 | 5.8 | 5.6 | 4.9 | 4.8 |
| Aide sociale aux personnes agees | | | | | | | |
| - Basic allowance | 75.8 | 92.4 | 96.9 | 96.3 | 97.7 | 97.2 | 102.0 |
| Miscellaneous | 125.6 | 177.5 | 326.1 | 307.6 | 380.3 | 338.3 | 312.3 |
| - Additional benefit to ENS | 75.8 | 96.3 | 133.9 | 93.3 | 104.2 | 105.6 | 119.7 |
| - Guardianship | | | | 75.3 | 103.1 | 124.8 | 153.3 |
| Other | 49.8 | 81.2 | 192.2 | 139.0 | 173.0 | 107.9 | 49.3 |
| SUB-TOTAL | 8,053.0 | 6,519.1 | 6,456.0 | 6,675.1 | 6,958.8 | 7,306.6 | 7,736.8 |
| Administration and central inspection expenses | 523.4 | 576.6 | | | | | |
| TOTAL | 8,957.4 | 7,095.7 | 6,456.0 | 6,615.1 | 6,958.8 | 7,306.6 | 7,736.8 |

Source: Ministry of Social Affairs, 1994

Table 8.8' Recipients of social assistance (*departements*)

| FRANCE (MET) | Recipients at 31 December | | | | | | |
|--|---------------------------|----------|---------|---------|---------|---------|----------|
| | 1984 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 |
| Aide sociale à l'enfance | | | | | | | |
| - Children dependent on social assistance | 129,017 | 115,272 | 114,441 | 111,507 | 109,237 | 107,100 | 106,150 |
| <i>Provisions</i> | 12,827 | 9,973 | 8,249 | 7,012 | 6,287 | 5,800 | 5,150 |
| - Legal decisions | 66,826 | 64,960 | 67,135 | 66,585 | 67,038 | 67,200 | 67,400 |
| - Provisional welfare ⁱ | 49,364 | 40,339 | 39,057 | 37,910 | 35,912 | 34,100 | 33,600 |
| Children under joint protection | | 26,761 | 26,634 | 27,153 | 25,363 | 24,800 | 25,100 |
| - Aides financières de l'ASE | 204,712 | | | | | | |
| - AEMO ⁱⁱ | 97,529 | 101,727 | 105,262 | 108,656 | 111,533 | 113,100 | 114,200 |
| Aide sociale aux personnes handicapées | | | | | | | |
| - Lodging | 65,557 | 65,302 | 66,579 | 67,203 | 69,798 | 72,200 | 73,750 |
| - in institutions | 63,177 | 62,885 | 64,009 | 64,580 | 67,225 | 69,500 | 70,800 |
| -- in family homes | 2,380 | 2,417 | 2,570 | 2,623 | 2,573 | 2,700 | 2,950 |
| - At home | | | | | | | |
| household (domestic) | 5,413 | 5,689 | 6,866 | 6,945 | 7,640 | 8,100 | 8,200 |
| -- Compensation | 150,538 | 161,087 | 169,980 | 179,123 | 194,051 | 205,600 | 223,400 |
| Aide sociale aux personnes âgées | | | | | | | |
| - Lodging | 160,920 | 147,340 | 143,235 | 141,926 | 141,883 | 141,200 | 138,550 |
| - in institutions | 160,428 | 146,850 | 142,769 | 141,479 | 141,391 | 140,700 | 137,800 |
| in family homes | 492 | 490 | 466 | 447 | 492 | 500 | 750 |
| - At home | | | | | | | |
| household (domestic) | 144,000 | 126,000 | 115,300 | 114,700 | 114,200 | 111,200 | (05,000) |
| Aide médicale | | | | | | | |
| -- General | | | | | | | |
| at home ⁱ | 438,763 | | | | | | |
| - in hospital ⁱⁱ | 347,700 | 296,200 | 290,800 | 301,400 | 301,900 | 313,000 | 317,300 |
| -- personal insurance ⁱⁱⁱ | (56,500) | (73,300) | 93,910 | 96,610 | 159,900 | 208,200 | 235,800 |
| - For people with tuberculosis ^{iv} | 1,168 | 496 | 689 | 587 | 635 | 700 | |
| - For the mentally ill ^v | 19,953 | 12,781 | 13,656 | 14,163 | 16,744 | 17,400 | 18,700 |

In 1991, AP minors = 15,200, AP young adults = 18,400

AEMO judiciaire et action éducative administrative

Number of admissions in year

Benefit responsibility of *departements* since 1987

Number of admissions in 1984. Number of beneficiaries at 31.12.1986

Source: Ministry of Social Affairs. 1994

Table 8.9: Recipients of social assistance (state)

| FRANCE (MET) | Recipients at 31 December | | | | | | |
|--|---------------------------|--------|--------|--------|--------|--------|--------|
| | 1984 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 |
| Aide medicate | | | | | | | |
| - Voluntary termination of pregnancy | 10,513 | 9 286 | 8,933 | 8,342 | 7,398 | 7,100 | 7,200 |
| Aide sociale aux personnes awes | | | | | | | |
| - Basic allowance | 5,471 | 6,077 | 5,720 | 5,927 | 5,666 | 6,100 | 5,900 |
| Aide sociale aux personnes handicapees | | | | | | | |
| - Differential allowance | 8,753 | 7,894 | 7,671 | 6,587 | 5,575 | 5,000 | 4,600 |
| No fixed abode ¹ | | | | | | | |
| - Aide medicate | | | | | | | |
| - at home ¹ | 33,000 | 39,000 | 47,000 | 51,000 | 53,000 | 46,000 | 45,500 |
| - in hospital ¹ | 44,000 | 47,000 | 46,000 | 47,000 | 50,000 | 49,000 | 47,000 |
| - Aide sociale aux personnes agees | 4,696 | 4,276 | 3,668 | 3,728 | 3,400 | 3,400 | 3,400 |
| - Aide sociale aux personnes handicapees | 1,686 | 1,363 | 1,558 | 1,112 | 870 | 800 | 800 |
| Allocations diverse's | | | | | | | |
| - Allocation militaire | 4,675 | 947 | 931 | 904 | 706 | 600 | 500 |
| Allocation supplementaire du Fonds | | | | | | | |
| - National de Sante (ENS) | 6,718 | 4,942 | 4,283 | 4,777 | 5,071 | 4,900 | 4,800 |

Estimate

¹ Number of admissions during the year

Source: Ministry of Social Affairs, 1994

The three principal branches of the French social security system also have social assistance schemes, called *Action Sociale*: the family branch (*Action Sociale des CAF*); the *Action Sociale* branch of the pension fund for wage earners (CNAVTS); the *Action Sociale* of the sickness-health fund (CNAMTS).

The local *Caisse d'Allocations Familiales* (CAF), of which there are 125 in France, each have a budget for grants and loans, which are distributed under national guidelines. A total of FF9,146 billion were allocated in 1992. This sum was broken down into five sub-categories:

- *etdd3lissements sociaux* 47 per cent
- *services sociaux* 20 per cent
- *vacances* 10 per cent
- *logement* 1.2 per cent
- *prestations iinancieres* 11 per cent

Only the *prestations financieres* are cash benefits. The total budget has increased as follows:

| Year | FF (millions) |
|--------|---------------|
| 1990 | 8.261 |
| 1991 | 8.801 |
| w 1992 | 9.164 |
| s 1993 | 10.229 |

Within the composite Branche *Famille*, there are two other *Action Sociale* funds: one is called FASTIF (*fonds d'action sociale des travailleurs immigrants et de leur famine*) for workin^g immigrants and their families (expenditure FF1,027 million in 1991, FF1,146 million in 1992 and FF1.175 million in 1993); the other fund is called *frais de tutelle* (curator or trustee fees) for meeting the costs of looking after people who cannot receive the benefits themselves because, for example, they have

learning difficulties. Expenditure was FF573 million in 1991, FF624 million in 1992 and FF672 million in 1993.

The second element of the national social security system is the social action programme of *CNAVTS* (*Caisse Nationale d'Assurance Vieillesse des Travaillleur's Salaries* or the pension fund for wage earners). Total expenditure was FF2,139 million in 1991, FF2,532 million in 1992 and FF2,741 in 1993.

The third strand is the *Action Sociale* of *CNAMTS* (*Caisse Nationale d'Assurance Maladie* or the sickness insurance fund). Total expenditure was FF814 million in 1991, FF1205 million in 1992 and FF1,267 million in 1993 (Commission des Comptes de la Securite Sociale, 1994).

Finally_ the bigger *communes* also have administrative responsibilities through the *Centre Communal d'Action Sociale*. The CCAS are legally independent of the sponsoring communes and have their own budgets.

In summary, *Aide Sociale* and *Action Sociale* are similar, but labelled differently: *Aide Sociale* is provided by *departments* and the state, while *Action Sociale* is allocated by the branches of social security (CN AF, CNAVTS_ CNAM). In addition, in many of the bigger communes there are discretionary benefits allocated via the CCAS.

8.4 Overall expenditure on social assistance

It is difficult to gather consistent information about national expenditure on social assistance because of the various branches and organisations involved in its administration and the overlapping relationship between social insurance and social assistance. However, one study (CERC. 1991) estimated that in 1990 there were three million households (5.5 million people) claiming social minima and that the total expenditure on these benefits was FF64 billion (around USS9.7 billion or £5.8 billion in purchasing power parities). The study also estimated that between one and 2.5 million households were taken out of potential poverty (depending on the measures used) through family, housing and other benefits. Another 500,000 to one million people were in receipt of unemployment benefits, small pensions and other help. totalling FF50 billion. The study estimated that FF180 billion (or about 15 per cent of all social expenditure) was used for social assistance. In addition, apart from the various costs of 'insertion', around FF40 billion from the *depar-tements* and FF7 billion from the state was devoted to *Aide Sociale*.

8.5 Policy issues

Poverty and exclusion

It is generally recognised by policy makers and researchers that there is a problem of poverty and social exclusion in France. However, there is no movement which can be referred to as a 'poverty lobby'. A public attitudes survey conducted in December 1990 found that the French tend not to hold poor people directly responsible for their circumstances: 60 per cent believed that society had a responsibility to attempt to re-integrate unemployed people into the labour market (Volatier, 1991).

Incentives and disincentives

There is no evidence about the number of persons affected by either an 'unemployment trap' or a 'poverty trap'. The procedure most frequently used to minimise the effects of high marginal rates of tax is called the *mecanismes d'interressements* or earnings disregards. These apply to the RMI, the *Allocation de Solidarite Specifique*, the *Allocation d'Insertion* and the *Allocation aux Adultes Handicapes*, but not to the *Allocation de Parent isole*. For example, a single person receiving RMI who finds a job paid at 50 per cent of the minimum wage (SMIC) would see his or her income rise from FF1,957 per month to FF3,337, because 50

per cent or the wage is disregarded. When the employment is not a `proper` job but *a contra' d'emploi ,solidarite, or* special job creation scheme, there is a fixed level of earnings paid which represents about 30 per cent of the benefit paid to a single person (FF662 in 1992).

There is no firm evidence to confirm that social assistance affects or determines particular forms of behaviour. though there is some indication that the rules of eligibility for RMI encourage the non-declaration of cohabitation. As far as recipients of API are concerned, a lone mother might be seen as being encouraged to remain on her own for as long as she is entitled to the benefit.

Some of the objectives initially set for RMI have not been achieved. Far from being a temporary benefit. used to encourage independence, it has become an established part of the social protection package. An evaluation of RMI conducted by CNAF found that of those entering the programme in 1989, 44 per cent had come off benefit when they were contacted in 1991 (Villac, 1992). Approximately one-third coming off RMI did not go into employment, but became recipients of more generous benefits including API, AAH. Unemployment Benefit or retirement pensions. According to another evaluation of the RMI in 1993 (*Delegation Interministeriel an R iti*, 1994), 50 per cent of recipients stopped claiming within two years and two-thirds after three years.

Other issues

Historically there has been little concern about fraud or social security abuse. The climate appears to be beginning to change, although it is still not the subject of large-scale media attention or policy initiatives. There is a general commitment to discourage claiming while engaged in unreported work, and illegal immigrants are disbarred from social security benefits.

Growth in levels of unemployment is causing a problem for RMI and its funding. Consequently, many insertion contracts are not being implemented. The view of our informants is that it would be difficult politically to restrict the conditions of eligibility for RMI in the current economic climate, but that attention is more likely to be focused on policies to reduce the level of unemployment. There appears to be some fatalism about the revenue implications.

8.6 Recent and forthcoming changes

There has been some tightening of eligibility for disability benefits: a condition of 50 per cent functional disability was introduced, along with an availability for work test.

Until recently there has been no great debate about social assistance in France. Discussion has concentrated more on social insurance, particularly pensions and sickness benefits. Constraints on funding arrangements have been the focus for some policy initiatives in recent years: new contributions arrangements and hypothecated taxes have been introduced. For example. a one per cent capital contribution was levied in 1988 and a general social contribution of 1.1 per cent on all taxable income was introduced in 1991 (increased to 2.4 per cent in 1993). On the other hand, because employers' social security contributions have been relatively high in France, there has been pressure to reduce the burden on employers in favour of general taxation.

There is some concern about the status and rights to social security of non-French nationals. There have been a number of small. seemingly insignificant or bureaucratic changes which are making it more difficult for non-nationals to obtain benefit. For example, prior to July 1994, foreigners claiming political asylum could receive RMI if they presented a paper certifying that they had applied for asylum-seekers' status. Now it is necessary to provide a formal certificate, which can lead to delays, and the overall refusal rate exceeds 75 per

cent. Two years ago the Paris *departement* attempted to restrict access to a number of benefits for foreigners, but the administrative court overturned their proposals.

In October 1994 the Government announced a series of measures to combat poverty and exclusion, aimed at helping RIM recipients get back into work. They included social insurance contribution exemptions and cash payments for employers taking on a recipient unemployed for more than two years, and funds to create 'socially useful' employment schemes.

8.7 Overall performance

France has a system of assistance which appears complex and confusing to outsiders. Although an arguable strength of the system is its commitment to decentralised provision, there is some concern about co-ordination between the various schemes and the levels of government which administer them. There is also evidence of geographical variation in access to benefits within the framework of *Action sociale* and *Aide sociale*, and it is difficult to compile coherent national data on social assistance schemes as a whole.

There is no tradition of research, or widespread concern, about adequacy of benefit. The relationship between benefit levels and the minimum wage, and its implications for labour supply and other behaviour is a subject for further enquiry. Overall, benefits tend to be rather below the average for the countries in this study before housing costs are considered, and around the middle of the ranking after housing costs, though this varies somewhat for different family types.

There is also no measure of take-up of benefits and no commitment that this should be the subject of research or enquiry. Part of the difficulty is that there are no detailed data available on household income and expenditure. The household budget survey (*Enquête sur les Budgets Familiaux*) contains information on income, expenditure and other variables, but there are only ten questions on income compared to 81 in the UK Family Expenditure Survey (see Atkinson *et al.*, 1992). Van Oorschot (1991) has noted the absence of empirical study on the take-up of benefit in France. He reports information from Jean-Claude Ray to the effect that '22 per cent of *Minimum-Veillesse* claimants waited for more than five years after the moment they became eligible, before they made a claim, and the use of allowances for families with handicapped children is far less than can be expected on the basis of the number of handicapped children' (p.18). There are signs that French scholars are beginning to explore this question.

Chapter 9 Germany

9.1 Background

Demography

Germany is the largest country in the European Union, with an estimated population in January 1994 of 81.35 million (including the population of the former German Democratic Republic). It has one of the lowest fertility rates both in the EU and among the OECD as a whole (L3 in 1993 compared to an OECD average in 1992 of 1.7). Germany's 4.7 per cent population growth in 1993 was sustained only by having one of the highest levels of net immigration (Eurostat, 1994a). The low birthrate was caused partly by a massive decrease in fertility in the new Lander of the former GDR.

Eurostat figures from 1990/1991 show that Germany had the third highest percentage of lone parents (with a child under 15) in the EU, after Denmark and the UK, and the fastest proportionate growth in lone parenthood of any EU country since 1981 (Eurostat, 1994b). Reunification in Germany also sharply raised the national average of children born outside marriage, because the rate in the new Lander was around 40 per cent. This is now declining, however, and the national rate of 14.6 per cent in 1993 was below the EU average. Both the marriage and divorce rates are only slightly above the average for the EU countries.

Perhaps the most serious demographic issue facing Germany is the ageing of the population. The support ratio (defined as the number of people of working age for each person over retirement age) was already one of the lowest in Europe in 1980 and has been projected to fall by more than half by 2040 (DSS, 1991). In 1990 there were 4.6 people of working age for every one person over the age of retirement (Statistisches Bundesamt, 1992).

Employment and the economy

West Germany was for some years one of the strongest economies in Europe, with a highly developed social security system, consisting primarily of insurance-based, earnings-replacement benefits. In recent years this economic strength has been undermined to some extent by both the Europe-wide recession and the challenges posed by unification with the former East Germany, but the economy has been showing signs of recovery. Unemployment even in the old Lander grew sharply in the early 1980s to over eight per cent, and though it declined towards the end of the decade, unification and the associated economic problems have since pushed the unemployment figures back up again. During 1993, registered unemployment in the old Lander rose by nearly half a million to average 2.3 million or 7.4 per cent of the workforce (OECD, 1994c). In the new Lander of the former GDR, employment fell between 1989 and 1991 from an annual average of 9.8 million to 7.2 million employees (Schulte, 1994a). In 1992 there was a further reduction of one million, bringing the employment level to less than two-thirds of that formally registered in the GDR. Unemployment stabilised during 1993, partly because of concerted programmes of short-time working, early retirement and public works, but one effect was to reduce the overall female labour force participation rate, which was previously one of the highest in the world, to the relatively low West German level. OECD estimates for 1992 put the overall participation rate at 69.8 per cent, with 80.1 per cent of men of working age in the labour force and 59 per

cent of women (OECD, 1993c). Women's participation was still higher on average than in the EU as a whole and only just below the OECD average.

In 1993 the annual average standardised unemployment rate in Germany as a whole was still only 5.8 per cent of the labour force just over half the EU average and well below the average of 7.8 per cent for the OECD countries (OECD, 1994a).

As in other countries, both demographic and economic developments have led to increases in social security expenditure and consequently to calls for reductions in the level of social protection. However, in spite of having a well-developed social security system, social expenditures have not been especially high by European and OECD standards. Throughout the 1980s, when unemployment was growing most sharply, expenditure on social protection" (excluding health care) fluctuated as a proportion of GDP between just over 18 per cent and just under 20 per cent, compared to an EU average of between 16 and 18 per cent (OECD, 1994d). Comparative figures on taxation also show that Germany has remained around the middle of the EU league. Total public sector debt as a proportion of GDP was 59 per cent in 1993, up from 49 per cent in 1990 (OECD, 1994c).

In spite of the difficulties caused by unification, commentators in Germany have suggested that the process of extending the West German system of social security to the new Lander has been more successful than might be expected. This has been assisted by special transitional supplements on pensions and other benefits. The process of bringing² the new Lander fully into the unified social security system is due to be completed in 1996.

Political decentralisation

Germany has a partially decentralised political system, with substantial powers devolved to both the 16 Lander and to the local authorities (*Getneinden or Kommunen*). In the field of social security, employers and trade unions also play an important role, and unemployment and labour market policies are largely operated through semi-autonomous corporatist structures. It has been argued that these institutional structures, and the systems of financing which support them, have been responsible for the continuity which can be observed in German social security policies in the post-war period, especially in relation to unemployment compensation (Schmidt and Reissert, 1988; Clasen, 1994).

For most of the 1980s and early 1990s the Federal Government has been led by a coalition of the conservative Christian Democrats and Christian Social Union, and the liberal Free Democrats, with the Social Democrats as the main opposition. Politics have been less stable on a regional and local level, particularly in the context of German unification. In 1994 there were no less than 18 significant regional and local elections leading up to the Federal election in October, which tended to minimise the options for major policy changes. In October 1994 the ruling coalition was returned with a much reduced majority.

9.2 The social security system

German social security is strongly associated with the corporatist Bismarck model of social insurance, aimed at replacing earnings in the event of illness or disability and in old age, at a level as closely related as possible to previous income, thus preserving social and economic differentials. The system is historically divided into three main branches: the first provides security against common social risks, including old age, unemployment, invalidity, maternity and death. Primarily these are contributory, but there are also non-contributory schemes for public servants, including civil servants, soldiers and judges. Contributory schemes are administered by corporate social insurance organisations, while the public servants' schemes are administered by the employing bodies.

² For the definition of social protection in this context see Tables 1b and 1c in OECD 1994d.

The second branch provides non-contributory compensation in situations where the public may be held to have a responsibility, such as war injuries or injuries through being the victim of crime. Administration is at the level of the Lander and finance is split between them and the Federal Government.

The third branch of social security covers 'assistance where need arises, or social promotion in order to guarantee equal opportunities for individual development' (Brooke Ross and Zacher, 1983). This includes both training and youth services, child benefits, which are non-contributory but partly means-tested, means-tested housing allowances and the main social assistance benefit *Sozialhilfe*. 'Assistance and promotion' benefits are administered at various levels of government and funded mainly from general taxation, but *Sozialhilfe* is administered by local authorities, with the funding shared between them and the Lander.

Retirement pensions are earnings-related and require a minimum contribution period of 60 months. The pension formula is derived by multiplying the number of Personal Income Points, which are based on the sum of earnings for which contributions or credits have been made, by the Current Pension Value, which corresponds to a monthly pension paid to an average earner. This is adjusted annually in line with movements in net earnings. Pensioners in the new Lander of the former East Germany, whose pensions even after revaluation can be below subsistence level, may receive an income-related Social Supplement (*Sozialzuschlag*) up to approximately the level of social assistance. The supplement will be abolished at the end of 1996 and replaced, where necessary, by social assistance.

Before outlining the structure of *Sozialhilfe* itself it is necessary to explain the arrangements for unemployment compensation in Germany, since these are partly insurance- and partly assistance-based. Changes in unemployment benefits are likely to have the most direct effect on the level of claims and expenditures on social assistance at a time of high unemployment. Unemployment is defined as being available for full-time work and working less than 18 hours per week. To qualify for the main Unemployment Benefit (*Arbeitslosengeld*), a claimant has to have worked and paid contributions for the equivalent of 360 working days in the previous three years. If these conditions are met, a non-means-tested benefit can be paid for a period of between 17 and 52 weeks, depending on the length of the claimant's work record. For older workers this can be extended for up to 104 weeks. Until January 1995, benefit was paid at the level of 68 per cent of previous net earnings for people with children and 63 per cent for those without, with reductions in benefit in cases of voluntary unemployment. After this date percentages of previous income became 67 per cent and 60 per cent.

If people have exhausted, or never acquired, their rights to the insurance benefit, they can claim Unemployment Assistance (*Arbeitslosenilfe*), which is a hybrid benefit, having some elements of both insurance and assistance. Until January 1995 it was paid at the rate of 58 per cent of former earnings, or 56 per cent for people without children, and in principle for unlimited duration. From 1995 the rates are 57 per cent and 53 per cent. It has an income test which is similar to that for *Sozialhilfe*, though less strict, but benefits for unemployed people with dependants are likely to fall below general assistance rates in many cases. *Arbeitslosenilfe* is funded out of general taxation.

9.3 Social assistance

Introduction

Until the 19th century in Germany poor relief was based primarily on churches and private welfare bodies. In the late 19th century a comprehensive system developed based on local authorities and voluntary organisations and this was regulated by law in 1924. These arrangements were replaced in 1961 by the Federal Social Assistance Act (*Bundessozialhilfegesetz*), which aimed to guarantee all citizens a minimum income and help in special circumstances, with help being provided only

on the principle of subsidiarity - that is, that help from the family and other sources had first to be exhausted.

The presumption in Germany is that social assistance benefits are mainly for covering temporary periods of crisis and a central principle of the law is 'help to help yourself' (*Hilfe zur Selbsthilfe*) (Voges and Rohwer, 1992). *Sozialhilfe* has two elements - *Hilfe um Lebensunterhalt* (general assistance) and *Hilfe in besonderen Lebenslagen* (assistance for people in special circumstances, such as critical life situations). The first provides regular payments for an unlimited period (subject to meeting the conditions) and brings a legal entitlement. It also includes lump-sum payments for items like clothing or furniture, for which special applications must be made. The second type of assistance covers special help for blind and disabled people, older people, people without health insurance or those with various other forms of special need. Some special needs are mandatory and others are discretionary. Help with housing costs is available through social assistance, but there is also a separate housing benefit scheme (*Wohngeld*), which is income-tested rather than means-tested (see 9.4). Section 9.3 refers to *Sozialhilfe* only.

Legislation and policy objectives

The Social Assistance Act has been amended a number of times, most recently to incorporate arrangements in the new Lander. The Act states that 'the purpose of social assistance is to enable the recipient to live a life which is in keeping with human dignity'.

German social assistance has been described as the safety net beneath the safety net' (Brooke-Ross and Zacher, 1983) which should ensure that those not entitled to benefits from social insurance, social compensation and special assistance or promotion systems, are prevented from falling into poverty. In principle social assistance is granted only as a last resort:

- s when a person can no longer provide for him/herself (including by employment, for those capable of work)
- w when the family can no longer provide support
- after the obligations of third parties have been met (for example, by insurance-based compensation)
- s when no other benefits are available.

Administrative and regulatory framework

At Federal level, policy responsibility for social assistance has been held (since 1994) by the Ministry for the Health and Health Insurance, but the implementation of social assistance is delegated by law to the 16 Lander which can, in turn, delegate part of the administration to the district and municipal authorities. Federal *legislation* provides a national framework of legal entitlements, but the Act (as amended in 1974) states that 'the nature, form and extent of social assistance shall be governed by the special features of the individual case and by the person of the recipient, the nature of his needs and the local circumstances', thus giving some discretionary powers to the Lander and the local authorities. Scale rates vary by Lander, but within limits established by Federal law. Benefits are financed almost entirely by local authorities (about 80 per cent) and the Lander (about 19 per cent).

General conditions of entitlement

In principle the law provides a legal right to social assistance for any person *in need*, irrespective of age or nationality, who is present in the territory of the Federal Republic of Germany. Theoretically, therefore, social assistance is available to individuals, without a lower age limit, so children can claim in their own right. In practice, any such claims are normally made through their legal guardians or representatives, though if young people can show evidence of

complete breakdown and separation from their parents they may be able to claim separately.

Students cannot claim benefit and are expected to be supported through their first degree course by their parents. Means-tested educational grants are available, but even if students are not entitled to a grant they cannot claim social assistance.

Residence and nationality

In principle social assistance is open to anyone resident in Germany, irrespective of nationality, but this has been qualified in a number of ways. Whether people who are not German citizens can claim without losing their right to stay in the country depends on complex aspects of immigration law and their status under different bilateral treaties. There is no requirement to have been resident for a specific period of time. Many foreign workers, or *Gastarbeiter*, do not have the right to take out German citizenship in spite of spending many years in the country.

EU citizens who have been working in Germany can receive benefit for up to six months if they lose their job, but after this time they may be obliged to leave the country. Non-German citizens who are considered to *have* moved to Germany with the intention of drawing social assistance are not entitled to claim. It is up to the social assistance authorities to prove that the person concerned came to German territory with this intention. People who come to Germany for other reasons, such as to seek employment or to live with relatives, are entitled to claim in the same way as citizens.

The situation of asylum seekers was altered by major legislation which came into effect at the end of October 1993. This limits the entitlements of asylum seekers to benefits in kind rather than cash for the first year of residence, though they can still claim medical help through Special Assistance. The change was apparently a response to the detection of a number of cases of organised fraud. Once they have been resident for one year, asylum seekers come back under the auspices of the Social Assistance Act, but the rate of general assistance can be reduced for these recipients. It has been estimated that the law will effectively reduce benefits for asylum seekers by 25 per cent and may affect around 600,000 existing recipients of *Socialhilfe* (Roberts and Bolderson, 1993). Other legislation in 1993 also reduced the rights of entry to Germany of refugees and asylum seekers in a bid to halt 'economic migration'.

Duration of entitlement to benefit

As long as conditions of entitlement continue to be met there is no time limit on receipt of help through *Socialhilfe*.

Availability for work and labour market policies

Work incentives have been one of the main areas of policy debate on unemployment benefits and social assistance in recent years in Germany. Unemployed people claiming assistance have to be available for work or professional training and in theory have to accept any jobs offered to them (although according to decisions of the Federal Administrative Court, social assistance authorities must continue to pay benefit if a person who has refused a suitable occupation would otherwise have no means to subsist).

Regulations outline the circumstances in which claimants of social assistance are exempt from the requirement to be available for work, as follows:

- if the claimant is physically or mentally incapable of work
- if a job would hinder the claimant following in the future what was previously his or her principal activity
- if having to work would endanger the proper upbringing of a child

- ce if the claimant has responsibility for the running of a household or the care of dependants.

In practice, while older unemployed people theoretically have to be available for work, this rule is rarely enforced. For lone parents, the normal practice is that they are treated as available for work half-time once their youngest child reaches school or nursery school age and full-time when the child is 14. The labour market participation or benefit dependency of lone parents has not, however, been a major political issue in Germany, although the number of lone parents receiving assistance has been growing (see below).

Germany has had a highly developed, and until recently very successful, system of industrial training and apprenticeships, which have acted to keep youth unemployment below the European average. However, in recent years this has come under strain, with competition for youth training and unskilled jobs from people with higher education qualifications. One response from the Government has been to place greater obligations on the local municipalities (from October 1993) both to co-operate with the Federal Ministry of Labour to place unemployed people in work and themselves to create jobs in the so-called 'secondary labour market' (including municipal employment and work in the non-profit and voluntary sectors). The authorities have two options in this respect. They can take on beneficiaries in a regular employee relationship, which guarantees full employment rights and participation in health insurance, old age and invalidity pension schemes, as well as entitlement to unemployment insurance. Alternatively they can employ them in special schemes which are not regulated by labour and social law and bring no entitlement to either a normal wage or contributions to the insurance schemes. Usually claimants receive their benefit plus a small supplement, as in the UK system, where unemployed people undertaking some training courses receive a premium on top of their training allowances. Since this approach is cheaper for the authorities, it has been more common in the past. In the last decade, however, there has been an increasing move towards the creation of jobs for unemployed beneficiaries under normal labour law and social security conditions. This is regarded as a more appropriate and traditional way in Germany of linking policies to combat poverty and social exclusion with labour market policies (Schulte, 1994a). Affiliation to unemployment insurance also means that some people are in a position, when the special scheme ends, to move onto Unemployment Benefit (which is federally funded) and off the locally-funded assistance.

The Employment Promotion Act 1994 introduced a series of measures to support the employment of people who might otherwise be out of work, including temporary wage-cost subsidies to the value of Unemployment Benefit or Assistance (MISEP, 1994). The full effects of these measures and other changes in labour market policies are expected to be felt in 1995.

Unemployed people have to accept places on special employment schemes if they are offered them, but recent evidence suggests that only one in five get places. In spite of the emphasis on active labour market policies, little extra funding has been given to the authorities by the Government and commentators doubt whether the *new* requirements will have much impact. Overall, policy for combatting unemployment in Germany has evolved predominantly at the local level, and activity is highly dependent on the combination of specific local political and institutional factors (Blanke *et al.* 1992).

Research was recently carried out for the Government on whether the differences between wage rates and levels of social assistance payments were sufficient to maintain work incentives. The authors concluded that, in so far as the possibilities of full-time work were available to many claimants, replacement rates were not such as to justify reductions in benefits (Breuer and Engels, 1993).

For the self-employed, expectations to be available for work have been more relaxed. It is felt that although formerly self-employed people should be encouraged to resume employment, and not necessarily in the same field as they were in before, they should not be pressed into the role of an employee. As part of a package of employment promotion measures announced in January 1994, a new Transitional Benefit for people becoming self-employed is to be introduced. This will be available for six months at the same level as Unemployment Benefit and is similar to the original Enterprise Allowance Scheme in the UK.

The benefit unit

The unit of entitlement to social assistance is the claimant, plus a partner in the case of couples and any dependent children - basically the nuclear family. The principle of subsidiarity, however, means that the resource unit (those people on whom a claimant may be expected to rely for financial support) can be wider than the immediate family unit (see below).

People of the opposite sex living in the same household (excluding siblings) would be treated as cohabiting if they share resources and live together in a manner similar to a husband and wife, although this issue has not been a major subject of debate in Germany. People of the same sex living together are not counted as cohabitants. Single people sharing houses are also treated as individual claimants for social assistance itself, but housing costs are treated as shared. There has been some debate about reducing the level of benefit for sharers.

Income and assets tests

The unit of assessment for the means test is the family ---- generally the claimant, plus any immediate dependants (spouse and children). However, *So lath** has a principle of two-way responsibility between generations. This means that young people no longer resident with their parents could be expected to approach *them* for help before becoming entitled to benefit. Similarly, adults could be asked to support a parent who has claimed social assistance. Whether this happens in practice depends on individual circumstances. In family law this principle extends to two generations, and the 1961 Social Assistance Act incorporated the same assumptions. Since 1974, however, the resources of grandparents or grandchildren have not been taken into account for social assistance.

Most forms of income are *counted* for the means test, with certain exceptions. Most social security benefits are taken into account, including Child Benefit, though this is treated as income only against the child assistance rates. Child maintenance from a liable relative is counted, but educational grants are not. Some benefits are disregarded if they are payable for specific purposes other than general subsistence. These include housing allowances, nursing care benefit, the provision of clothing and linen under the War Pensions Act and allowances for blind people.

Earnings are counted net of income tax, national insurance contributions and certain other permitted pension or insurance premiums, and after allowing for essential costs related to work. These can include travel to work, essential tools and clothing, or necessary subscriptions to a trade association. The exact definition and level of such allowances is discretionary, though some Länder have laid down standard amounts. Net earnings are then counted in full, except that there is a 'work supplement' designed as an incentive to take part-time *work*. The disregarded amount varies between Länder, but is around 30-50 *per cent* of the basic scale rate applying to the head of household. It only applies to one person in a couple, so if the man is the claimant and his wife takes a job, the disregard does not come into effect. The woman can, however, nominate herself as the head of household, though apparently this rarely happens.

Assets in the form of savings or other capital are counted in full and expected to be used before social assistance is available, but basic household possessions are disregarded and (in 1994) the first DM 2.500 (around US\$1.170 or £730 in

purchasing power parities) of realisable capital is exempted, with additional smaller sums for dependants. The value of a modest owner-occupied house is also disregarded. Gifts from charities or other organisations are disregarded as long as they do not have a major effect on the claimant's circumstances.

Benefit levels

For general assistance (*Hilfe zum Lebensunterhalt*), benefit rates are set by the Lander, but within a national upper and lower limit. Originally they were set in relation to a basket of consumer goods, but now they are determined from data on the expenditure patterns of households in the lower third of the income distribution. Uprating is by price indexation, generally half-yearly in January and June, but political decisions are often made to uprate by less or more than the full percentage.

Payments are based on standard monthly sums (*Regelsätze*) for heads of households or single people, with age-related additions for dependants, including both partners and children. People over 65, younger disabled people, lone parents or others with special requirements can also receive supplements (*Mehrbedarfszuschläge*), which amount to between 20 and 60 per cent of the appropriate basic scale rate and are similar to the premiums under the UK Income Support scheme. The third element consists of housing allowances, which generally meet the full cost of rented or owner-occupied housing (including heating and water, but not electricity), as long as the costs are considered reasonable (see 9.4 below). Finally, single payments are available for lump-sums, non-recurring items, such as expensive clothing or essential furniture (see below).

The scale rates only apply to people living independently. People living in residential institutions or homes can receive, subject to the means test, their full fees plus a 'pocket-money' allowance set at the discretion of the local authority. People living in homes providing nursing care would normally receive 'special circumstances' payments rather than general assistance.

Benefit rates are meant to cover the costs of normal necessary expenditure, including food, clothing, personal hygiene, household utensils, and the 'personal and cultural needs of daily life'. As such, the rates represent the social subsistence minimum levels for persons or households with normal requirements, and when aggregated with supplements, single payments and actual housing costs, constitute a quasi-official poverty line (Schulte, 1994a). They vary as a percentage of the basic adult rate according to the claimant's household status, as follows:

| | |
|--------------------------------------|--------------------------------------|
| Single householder/head of household | 100 |
| Member of household | |
| is Under 7 | 50 (55 for children of lone parents) |
| e Ito 13 | 65 |
| e 14 to 17 | 90 |
| ® 18 | 50 |

Table 9.1 below gives the basic scale rates for the different Lander from 1 January 1994. By way of comparison, DM 500 was worth approximately US\$235, or £147, in 1993 purchasing power parities. Thus a couple with a child under seven years in Brandenburg would receive DM 1,199 per month, or approximately US\$563 (£352), plus housing and heating costs.

Table 9.1: Monthly scale rates for general assistance in the German Lander, January 1994

| LAND | Heads of households and single persons | | Members of household | | | |
|------------------------|---|---------|----------------------|-------|-------|-------|
| | DM | under 7 | under 7 | 7-13 | 14-17 | 18 |
| | | years | years' | years | years | years |
| | DM | DM | DM | DM | DM | DM |
| Baden-Wuerttemberg | 520 | 260 | 286 | 338 | 468 | 416 |
| Bayern | 502 | 251 | 276 | 326 | 452 | 402 |
| Berlin | 519 | 260 | 285 | 337 | 467 | 415 |
| Brandenburg | 500 | 250 | 275 | 325 | 456 | 400 |
| Bremen | 521 | 261 | 287 | 339 | 469 | 417 |
| Hamburg | 519 | 260 | 286 | 338 | 467 | 416 |
| Hessen | 520 | 260 | 283 | 335 | 464 | 412 |
| Mecklenburg-Vorpommern | 496 | 248 | 273 | 322 | 446 | 397 |
| Niedersachsen | 519 | 260 | 285 | 337 | 467 | 415 |
| Nordrhein-Westfalen | 519 | 260 | 285 | 337 | 467 | 415 |
| Rheinland-Pfalz | 519 | 260 | 285 | 337 | 467 | 415 |
| Saarland | 519 | 260 | 285 | 337 | 467 | 415 |
| Sachsen | 496 | 248 | 273 | 322 | 446 | 397 |
| Sachsen-Anhalt | 500 | 250 | 275 | 325 | 450 | 400 |
| Schleswig-Holstein | 519 | 260 | 285 | 337 | 467 | 415 |
| Thuringen | 496 | 248 | 273 | 322 | 446 | 397 |

¹ Up to the age of 7 when living together with a single person who looks after the child and cares for it
² Minimum amount. The actual scale rates are fixed by the local social assistance authorities

Source: Schulte, 1994a

Supplements are awarded as follows:

20 per cent of the basic rate ('appropriate to the person)

- persons aged 65 or over
- d persons under 65 but unable to work because of invalidity
- ® pregnant women after the 12th week of pregnancy

40 per cent of the basic rate

- lone parents with one child under seven years or two/three children under 16
- S disabled people aged 15 or more, who receive 'integration aid for disabled people'

60 per cent of the basic rate

- lone parents with four or more children under 16

A fixed amount

- people recovering from an illness and disabled people needing expensive nutrition.

In 1991, an estimated 292,000 households were receiving supplements for old age and 307,000 for lone parenthood (MISSOC, 1994).

The amount of benefit awarded can be divided between partners and paid separately, though this is rarely done in practice.

Special circumstances assistance (*Hilfe in besonderen Lebenslagen*) is available where the standard subsistence payments might not be sufficient to deal with unusual expenditures, and is aimed at creating the maximum flexibility and comprehensiveness in social assistance provision. The most important types of help available are rehabilitation aid for disabled people and nursing care. Rehabilitation aid can include medical treatment, prostheses, education and retraining, special employment, aids and adaptations to a home, and various other measures to help

older or disabled people to integrate into society. Nursing aid meets costs for necessary care either in nursing homes or in the person's own home.

Other types of help which can be provided include the costs of setting up a self-employed business; sickness and dentistry costs; preventative health care; family planning, abortion, pregnancy and confinement costs; and help with the costs of maintaining a household while a parent is ill. Some needs carry a legal entitlement while others are discretionary and some, such as the help for the self-employed, would normally be given as a loan. Amounts awarded depend on the circumstances *and* the individual's needs.

Other assistance-linked means-tested benefits

Apart from *Sozialhilfe* and *Wohngeld* (see 9.4), the only other significant means-tested or income-related benefits in Germany are Unemployment Assistance (*Arbeitslosenhilfe*), described above (section 2), education grants, Parental Leave Benefit (after the first six months) and Child Benefit for the second and subsequent child in a family. The income test for Unemployment Assistance is similar to that for *Sozialhilfe*. Apart from this, the other benefits all have their own income tests and count as income for *Sozialhilfe*.

One-off and urgent payments

The scale rates are meant to cover the expenses for the benefit unit's normal requirements, including food, household fuel, the purchase and maintenance of clothing, normal travelling expenses, weekly laundry costs, toiletries, cleaning materials, the replacement of small household items, and actual housing costs. As described above, supplements may be given if there are any special requirements resulting from illness, pregnancy, maternity, incapacity to work, or old age.

General assistance can include single, lump-sum payments for items such as clothing, cookers, refrigerators, beds or other essential furniture. There is in principle a legal entitlement to these, but it is up to the social assistance authorities to determine how a particular need should be met. Payments can be made either as grants or loans. Help can be given towards debts such as arrears of fuel payments, and would normally have to be repaid through a small deduction from future benefit. Average one-off payments tend to be around 20 per cent of the applicable basic scale rate. There are no separate figures kept for expenditure on one-off needs as distinct from regular payments.

Urgent or emergency payments can also be made at the discretion of the authorities and depending on the circumstances of individual applicants.

Fringe benefits and concessions

Receipt of social assistance also brings automatic payment of statutory sickness insurance contributions, and other voluntary insurance premiums can be paid if they are 'reasonable'. Pension contributions and funeral insurance premiums can also be paid. Prescriptions are free for people receiving assistance. In some circumstances older people can get help with telephone costs and television rentals.

Other concessions, such as *free* school milk, reduced-cost public transport and free *leisure* activities are available in some areas, but this is at the discretion of the local authority.

Administration and the claiming process

Social assistance is generally administered by social welfare offices of the district or rural local authorities, under the authority of the Lander, though the delegation of responsibilities varies between Lander. The Lander authorities generally issue directives or guidance documents about how particular claims are to be treated, but local offices still retain considerable discretion. Most local authorities have

social committees, which include representatives of voluntary agencies, which meet to discuss policies and priorities on a local level.

Claimants are usually expected to apply for social assistance benefits in person at a social welfare office, although claims can also be made in writing. Payments are dated from the first day the claim was received and if necessary, emergency payments can be made over the counter. Claimants are encouraged to have their monthly social assistance payments paid into a bank account, for which there are no transaction charges for the first three transactions per month. Payments may be made on a weekly basis at the local office if there is some concern over whether benefit is being properly used - for example, where there *are* difficulties with budgeting because a claimant has an alcohol problem.

No information is available about the time taken to assess entitlement or about the efficiency of local social welfare delivery systems. Practices vary considerably both between different Länder and different local authorities. Social welfare staff are officers of the local authorities and receive both generic and specific training within the authorities. Their functions are separate from those of social workers, although they may often liaise in dealing with clients needing forms of social work support and some of the larger welfare offices have social workers attached.

Claimants are expected to report any changes in circumstances which might affect their claim, and claims are generally reviewed annually.

Local social welfare workers are expected to scrutinise claims carefully, but fraud in social assistance has not until recently been the subject of any major debate and there are rarely staff specifically designated as fraud officers. If the social welfare office is suspicious an investigation will take place, but in general the claimant has been trusted. Anonymous letters are usually ignored unless there is already suspicion about a claimant. However, in the 1994 Budget the Government announced a series of measures to combat fraud in both social security and tax, following the discovery of apparently large numbers of people claiming Unemployment Benefits while working in the informal economy. It is not known how these measures will affect the administration of *Sozialhilfe*.

Claimants must repay the assistance received if it is given in the form of a loan, or if they have misrepresented their claim in some way. In some limited circumstances benefit can also be recovered from the estate of a beneficiary *who* has died.

Decisions on social assistance are subject to review and to appeal, including those which are discretionary. Requests for review must be lodged in writing within a month of the decision. It is then reviewed by the social welfare office concerned and also by a district or Länder office if it concerns a delegated responsibility. In reviewing decisions officers can take advice from workers in local voluntary organisations. If, following a review, a claimant is still dissatisfied, the appeal can go forward to the general administrative courts, where free legal aid is available.

The role of non-governmental organisations in social assistance

The principle of subsidiarity which is so important in welfare provision in Germany applies also to institutional arrangements. Non-governmental organisations of voluntary welfare (*freiwillige Wohlfahrtspflege*) are closely involved with the statutory services in Germany in social welfare provision, particularly in provision of services such as residential care, advice services, family support, youth work and aid to refugees and asylum seekers. There are currently more than 6,000 voluntary organisations in Germany, the most important of which are members of one of six federations, grouped together by their various religious or political affiliations and objectives. The six federations are represented by a central body called the Federal Association of Voluntary Welfare Workers. In 1990 (in the former West Germany only) this association represented organisations employing more than 750,000 staff and drawing on over 1.5 million volunteers (Schulte,

1994b). They also ran residential or hospital services with a capacity of around 2.6 million bedspaces, representing about a third of all hospital beds and two-thirds of places in homes for older people.

However, while the relationship between the voluntary sector and the state or municipal authorities is regulated in law, and local authorities are obliged to cooperate with voluntary organisations in areas of social welfare, these NGOs *are* not directly involved in providing cash benefits. Their role is restricted to service provision.

There is also a growing 'poverty lobby' in Germany, consisting of some of the voluntary welfare organisations, associations of welfare recipients and independent researchers. When the Federal Social Assistance Act came into force in 1962, the extraordinary economic growth of the 1960s, full employment and the restructuring of social protection schemes (especially the major pension reform of 1957) suggested that poverty had become a problem which involved only marginal groups of the population. Following Anglo-Saxon poverty research in the 1960s and 1970s, studies were carried out in Germany which revealed that poverty was continuing to exist, especially among older people. In recent years, both municipalities and welfare organisations have published 'poverty reports', which have brought the problem to the attention of the public. Much recent research was stimulated by reports from the University of Frankfurt/Main, produced for the European Commission in the late 1970s and more recently (for example, Hauser *et al.* 1981; Hauser and Semrau, 1990).

9.4 Housing assistance

In addition to subsidies for the construction of social housing for people with lower incomes, *there* are two main forms of assistance with housing costs for low-income groups. First, people claiming social assistance normally receive extra amounts to cover the actual costs of housing (including heating), as long as the costs are considered reasonable for the individual claimant's circumstances. This is a decision made at the discretion of the local authorities, but within general guidelines. Where costs are considered too high, they must still be paid until such time as the claimant has been able either to move or to reduce costs by sub-letting. Owner-occupiers can receive payments for mortgage interest and where they have no realisable savings, loans can be made to cover capital repayments.

There is also a Housing Benefit scheme (*Wohngeld*) introduced in 1965 in order to assist low-income households at a time when rents were being decontrolled. It is income-related rather than means-tested, so assets are not taken into account. but it is still targeted towards lower-income groups. Housing Benefit is available to people living in private or social rented housing and also to owner-occupiers (payments of mortgage interest are only available up to a certain level which varies according to local circumstances). It is financed equally by the Federal Government and the Lander, and administered by the local authorities. The income test for Housing Benefit is different from that of social assistance, but any payments received count as income for the assistance means test.

In 1990, just under 1.8 million people *were* receiving Housing Benefit payments (Statistisches Bundesamt, 1993), or around six per cent of households (Hubert, 1993). Of these, only 120,000 (seven per cent) were home-owners. It has been estimated that overall take-up is only around two-thirds of those entitled. Total expenditure on *Wohngeld* in 1992 was DM 7.4 billion (DM 4.1 billion for West Germany alone).

9.5 Trends in expenditure on social assistance

In Germany all expenditure on social welfare benefits, including health insurance and employment promotion measures, is grouped together into what is known as the 'social budget'. In 1992 this social budget expenditure was approximately DM 1.005.3 billion (equivalent to around US\$476 billion or E300 billion) (Statistisches

Bundesamt, 1994). The social budget represented around 30 per cent of GDP (Schulte, 1994b). It should be noted that this definition of social expenditure is somewhat different from that used by the OECD and quoted in the introduction to this chapter (see OECD, 1994d, Table 1c).

Table 9.2 shows expenditure on social assistance between 1980 and 1992, divided into that spent on general assistance (subsistence aid) and that on help in special circumstances. The table also gives the proportion of the social budget consumed by social assistance in certain years.

Table 9.2: Expenditure on *Suwinhilfe*, 1980-93, at annual prices

| Year | Subsistence aid | Aid in special circumstances | Total | % of social budget expenditure (including administrative costs) |
|------|-------------------------|------------------------------|--------|---|
| | Di t millions (rounded) | | | % |
| 1980 | 4,339 | 8,927 | 13,266 | 3.1 |
| 1981 | 4,795 | 9,987 | 14,783 | n/a |
| 1982 | 5,521 | 10,808 | 16,329 | n/a |
| 1983 | 6,123 | 11,447 | 17,570 | n/a |
| 1984 | 6,752 | 12,032 | 18,784 | n/a |
| 1985 | 8,025 | 12,821 | 20,846 | 4.0 |
| 1986 | 9,395 | 13,801 | 23,197 | n-a |
| 1987 | 10,270 | 14,929 | 25,199 | n/a |
| 1988 | 10,962 | 16,047 | 27,010 | n/a |
| 1989 | 11,811 | 16,964 | 28,775 | n/a |
| 1990 | 12,976 | 18,805 | 31,782 | 4.8 |
| 1991 | 14,246 | 23,092 | 37,337 | 4.6 |
| 1992 | 15,715 | 24,872 | 40,587 | 4.4 |
| 1993 | 18,017 | 30,902 | 48,919 | n/a |

Notes: 1. Expenditure figures do not include administrative costs, whereas estimated percentages of the Social Budget include both these costs and expenditure on supplementary schemes in some Lander.

2. Figures for 1991 onwards include the former East Germany.

Sources: Statistisches Bundesamt, 1994
Deutscher Verein für öffentliche und private Fürsorge, 1994
Schulte, 1994b

Administrative costs are only included in the final column of the above table, as a detailed breakdown over time is not available. They rose from just over one per cent of total benefit expenditure at the beginning of the decade to an average of around seven to eight per cent in later years. Administrative costs increased sharply in 1992 as a result of unification, bringing the total expenditure to DM 43.93 billion (US\$20.8 billion or £12.5 billion). This represented 4.4 per cent of spending on the 'social budget' and about 1.3 per cent of GDP (Schulte, 1994a).

Table 9.2 shows that general assistance accounted for less than two-fifths of all expenditure in 1993. At the beginning of the 1980s, however, it accounted for less than a third of all expenditure, but it took a growing share up to 1989, when over 41 per cent of expenditure went on cash subsistence payments. Since then expenditure on special circumstances payments have grown more rapidly than general assistance. Over the same period, expenditure on *Arbeitslosenhilfe*, the income-tested Unemployment Assistance, grew from just over DM 1.5 billion in 1980 to a peak of DM 9.2 billion in 1986 and then declined again to 6.9 billion in 1991.

In 1991, 55 per cent of special circumstances expenditure went on payments for care, mainly for older people, and a further 35 per cent on rehabilitation for disabled people (Schulte, 1994b). The next most important categories of assistance were 'aid towards overcoming special difficulties' and payments for home-help services.

Although *Sozialhilfe* is a nationally regulated system, with only small variations in scale rates between the Lander, the way social assistance is financed gives the

Lander an incentive not only to keep costs and expenditures down, but also to resist politically any changes proposed by the Federal Government to reduce the level or scope of insurance benefits. According to Clasen (1994), this is one reason why, in spite of the rise in unemployment during the 1980s, the Government was only able to effect minor changes to Unemployment Benefit, and had to respond to financial pressures by raising contributions.

9.6 Trends in the receipt of social assistance

The total number of persons in households receiving social assistance grew by 150 per cent between 1970 and 1991 in West Germany alone. Counting claimants in the new Lander, the increase was 184 per cent. The increase in receipt of general assistance in the new Lander between 1990 and 1991 alone represented an increase of 170 per cent (MISSOC, 1994), which is attributable largely to the mass unemployment which followed unification. In 1992, there was a total of just under 4.72 million people (including children) receiving assistance benefits in the united Germany, representing 5.8 per cent of the whole population. The majority of recipients (around 62 per cent) were women.

Table 9.3 shows the number of recipients of general and special circumstances assistance at a given date each year from 1980 to 1992. Some people receive both forms of payment, so the *total* column is less than the sum of the two others.

Table 9.3: Recipients of *Sozialhilfe*, 1980-1992

| Year | General assistance | Special circumstances assistance | Total |
|------|--------------------|----------------------------------|-------|
| | (thousands) | | |
| 1980 | 1,322 | 1,125 | 2,144 |
| 1981 | 1,291 | 1,080 | 2,083 |
| 1982 | 1,560 | 1,061 | 2,320 |
| 1983 | 1,726 | 1,016 | 2,437 |
| 1984 | 1,837 | 1,047 | 2,570 |
| 1985 | 2,063 | 1,108 | 2,814 |
| 1986 | 2,239 | 1,196 | 3,020 |
| 1987 | 2,332 | 1,256 | 3,136 |
| 1988 | 2,509 | 1,348 | 3,349 |
| 1989 | 2,774 | 1,404 | 3,626 |
| 1990 | 2,890 | 1,510 | 3,754 |
| 1991 | 3,221 | 1,711 | 4,227 |
| 1992 | 3,639 | 1,870 | 4,718 |

Source: Statistisches Bundesamt, 1981-1994

The table shows that the number of recipients of general assistance increased by 175 per cent since 1980, whereas in spite of a big rise following unification the number of people receiving special assistance rose by only two-thirds over this period. In 1992 around 97 per cent of all those on general assistance lived in private homes - whereas just over two-fifths of recipients of special circumstances assistance lived in institutions.

Table 9.4 gives a breakdown of recipients of general assistance in 1992, by household type and age of the head of household.

Tahh 9.4: Recipients of general assistance in 1992, by household type and age of head of household

| Household type | Total no. | Age of head of household | | | | Os er 60 | %, |
|-----------------------------------|------------------|--------------------------|--------|-------------------|----------------------|----------|----|
| | | Under 18 | 18- 24 | 25--60 | (thousands, rounded) | | |
| Single persons living alone | | | | | | | |
| male | 525 | 6 | 128 | 359 | 33 | 27.2 | |
| female | 374 | 1 | 47 | 175 | 151 | 19.4 | |
| Single living with non-recipients | | | | | | | |
| male | 143 | 31 | 45 | 63 | 5 | 7.4 | |
| female | 119 | 29 | 32 | 37 | 22 | 6.2 | |
| Couples (no children) | 104 | <1 | 8 | 57 | 39 | 5.4 | |
| Couples with children | 2 ² 2 | <1 | 20 | 198 | 4 | 11.5 | |
| Lone parents | | | | | | | |
| male | 15 | <1 | <1 | 13 | 1 | 0.9 | |
| female | 325 | <1 | 51 | 2 ² 72 | 2 | 16.8 | |
| Others | 102 | 15 | 19 | 62 | | 5.3 | |
| Total | 1,930 | 82 | 351 | 1,234 | 263 | 100 | |

Source: Statistisches Bundesamt, 1994

Deutscher Verein für Öffentliche und private Fürsorge, 1994

Single householders made up the largest household type, followed by lone parents (mainly women). A small but significant four per cent of recipients were under 18 years and would include children living with other relatives, such as grandparents. Overall, households headed by single women made up over two-fifths of all recipients, leaving aside any of the households categorised as 'other', which include those with two or more adults not living together as couples, both with and without children. It is also noticeable that single women recipients were concentrated in the older age groups: overall, households headed by single women made up two-thirds of recipients over 60 years of age. In 1992 a total of just under 1.06 million children were living in households receiving general assistance, of whom 53 per cent lived with a lone parent.

The profile of recipients of general assistance has changed over the last two decades. Although women are currently well represented among claimants, their share of the overall recipient population has actually fallen since the early 1970s, when a large majority were women, especially older women. A number of factors have brought more younger people and families with children into the claimant population. These include higher and longer-term unemployment, family breakdown, and an increase in the number of immigrant, refugee and asylum-seeking families. In 1992, for example, 50 per cent of couples with children receiving general assistance were of non-German nationality. Thus the risk of being an assistance recipient is now greater for children than for older people (Schulte, 1994b).

Of the 1.7 million recipients of special circumstances assistance in 1991, 39 per cent were receiving health-related payments, including those for pregnancy, family planning, abortion or sterilisation, and 38 per cent received payments for care. Nineteen per cent were disabled people receiving help with integration.

The number of recipients of *Arbeitslosenhilfe* rose with unemployment from 122,000 in 1980 to a peak of 617,000 in 1985 before declining again to 391,000 in the old Lander in 1991. With unification this figure began to rise again, reaching 529,000 in 1992 (Statistisches Bundesamt, various years). Over the decade, recipients of *Arbeitslosenhilfe* as a percentage of all those receiving some insurance-based unemployment compensation also rose, from around 23 per cent in 1980 to 43 per cent in 1985, reflecting increases in long-term unemployment, and then dropped back to 35 per cent in 1990. In 1989 (in the old Lander) nearly 230,000 households receiving general assistance (around 15 per cent of the total) also received one or other of the unemployment benefits (Voges and Rohwer, 1992).

Until the end of the 1980s there was little examination of the duration of social assistance receipt or how this varied between different groups, but a series of studies at Bremen University have been done to explore this question (Buhr *et al.*, 1989; Leisering and Voges, 1992; Voges and Rohwer, 1992). They found that between 1984 and 1989 only about one-third of all claimants had received benefit for less than 12 months in each of the six years, and while many had only short episodes of claiming, in line with the intention behind the benefit, a significant proportion remained in receipt for much longer. Factors influencing initial likelihood of claiming included previous receipt of benefit, old age, being a single woman, having a family member needing constant care and non-German nationality, and all these except for nationality were also associated with long-term claiming.

The question of take-up of assistance benefits is controversial in Germany, though there are little recent empirical data. Studies in the 1970s suggested that take-up might be as low as half, while in the mid-1980s it appeared to have grown to around 70 per cent. It is not clear why such an increase in take-up should have happened, but it is possible that the growth in the numbers of groups such as lone parents and younger people claiming benefit during this period may have led to both better understanding of rights to benefit and less reluctance to claim assistance.

9.7 Policy issues

The consequences of unification

Although formally there is now a common framework of social legislation and provision in the whole of Germany, actual unification is still in process and the outcome of the transition of the former East Germany into a social market economy is still uncertain. The costs of unification, which have been born mainly by West Germans, have steadily increased, and it has been argued that limits to social solidarity may be reached which could push the country in the direction of more minimal welfare (Ganssman, 1993). At the same time, the cultural and economic integration of the population of the new Lander presents a major challenge in terms of the relationship between the state, the family and the *economic* institutions (Ostner, 1994). The role of women in particular differentiated the two parts of Germany. Many women from the former East Germany, especially lone parents_ who were used to full-time employment and state-provided child care, have had to become recipients of social assistance. Surveys suggest that there is a widespread perception that the new unemployment is caused by structural factors rather than personal failure and that being a recipient of welfare therefore neither lowers self-esteem nor necessarily encourages individual action to escape dependency. Indeed Ostner argues that the coercive right to employment for women in East Germany was an ambiguous privilege and that the adaption to new forms of familial, gender and employment relationships is likely to have unpredictable impacts on people in both parts of Germany.

Poverty and inequality

The second policy question is how far *Sozialhilfe* succeeds in keeping people out of poverty and meeting its aim of allowing them to live in keeping with human dignity. This is particularly important considering the increase in the numbers of people receiving social assistance and the high levels of unemployment in the new Lander.

Compared to the UK system of flat-rate benefits, unemployment compensation is relatively generous in Germany. In 1990 Germany had the fourth highest figure in the EU for the estimated share of the unemployed receiving some form of insurance-based unemployment compensation, at around 64 per cent compared to an average of 40 per cent (Reissert, 1993). However, since 1979, even at the highest level in 1981, only around 54 per cent of people registered as unemployed received only *Arbeitslosengeld* without any means-tested top-up (Clasen, 1994). At the peak

of unemployment in 1986 this fell to 36 per cent. In 1989, as we have seen, around 15 per cent of households on social assistance received it because net family income, including Unemployment Benefit, fell below social assistance standards of need.

The Federal Government considers the level of social assistance benefits to be adequate to combat poverty. Since social assistance is the only universal means-tested benefit programme in Germany its levels can be considered as a quasi-official poverty line. According to the Ministry, a problem of poverty only exists for those people who do not claim social assistance although they are entitled to it (the 'concealed poor') (Schulte, 1994a). This view is, however, contested by welfare organisations and the poverty lobby, as well as by researchers.

Comparative figures on poverty are methodologically problematic, but one study of inequality for the late 1980s showed that 10.6 of the population in Germany had equivalised expenditure of below half the national average, compared to 14.6 per cent in the UK and an average of 14.7 per cent in 11 countries of the EU (Ramprakash, 1994).

Explanations for poverty generally concentrate on a mixture of the following structural and individual factors (Schulte, 1994a):

- of the level of unemployment and the distribution of the long-term unemployed
- the availability (or non-availability) of part-time or unskilled jobs and training opportunities
- gaps in the system of social protection
- the lack of important services, necessary for integration into the labour market and wider society (such as: child care, education, vocational training and housing)
- individual behaviour in relation to marriage and divorce, fertility, willingness to work or receive training, the education of children, and destructive activities such as drug or alcohol abuse.

Other important policy issues, such as the improvement of work incentives and active labour market policies at a local level, have been discussed earlier in the chapter.

9.8 Recent and forthcoming changes

A series of changes affecting social assistance were brought into effect at the end of 1992 and the beginning of 1994. These included raising the age for the older person's supplement from 60 to 65, extension of the Lander's legal powers for recovery of benefit from liable persons, and placing extra duties on local municipalities to create jobs, as mentioned above. There are also moves towards creating specified flat-rate payments for lump-sum exceptional needs items. Reductions in future levels of Unemployment Benefit and Assistance were also announced in January 1994.

It has already been stated that, since November 1993, asylum seekers have been excluded from the scope of the Federal Social Assistance Act. Previously, asylum seekers were entitled to cash benefits, although they were subject to specific rules and they and other non-German citizens have been making up a growing proportion of the claimant population. Entitlement is now restricted mainly to benefits in kind or to cash payments at a minimum subsistence level.

Also in 1993, an amendment to the Federal Social Assistance Act placed greater emphasis on advice, counselling and support aimed at preventing the need for assistance. The scope of associated social rights was also widened in order to tackle the problem of non-take-up, and the Lander were encouraged to operate greater

work incentives. It is not clear yet how far these plans have resulted in practical changes at a local level. but the policy is designed to adapt *Sozialhilfe* to the needs resulting from the economic situation of the 1990s. especially long-term unemployment, the new poverty' and the social consequences of German reunification.

One of the most important changes affecting social assistance was the introduction of a new system of public long-term care insurance. In January 1995. the Statutory Care Insurance Act (*Pflegeversicherungsgesetz*) came into force. Previously, neither health insurance nor the pension and invalidity insurances provided for older or disabled persons needing accommodation or care outside the hospital system. A person requiring the care of another in order to perform everyday actions, or who cannot stay in their own home, had in principle to pay the costs incurred or rely on relatives. As a last resort, such a person could have recourse to means-tested social assistance, and substantial sums. of special circumstances assistance in particular, have been devoted to this purpose. With the ageing of the population in Germany this has become a key issue and in the future more of their care needs are to be met through the social insurance system.

For people remaining in their own homes, care will be available as a benefit in kind up to a maximum value of between DM 750 and DM 2,800 per month, depending on the level of care needed, with a further addition in cases of hardship (Wienand, 1995). A care allowance may be paid instead of a benefit in kind. if the care receiver is capable of ensuring that the necessary level of care is provided. up to a monthly maximum of between DM 400 and 1,300, depending on the care category. The insured person can also claim a mixture of cash and in-kind benefits. Relief care in the case of holidays or sickness can be provided for up to four weeks, up to a total value of DM 2,800 per annum.

If residential care is required, the care insurance will pay up to a maximum of DM 2,800 per month (or DM 3,300 in exceptional circumstances) towards nursing-related costs only (the costs of accommodation and meals must be met by the insured person). The amounts depend on the care category and whether residential care is full or partial and short-term or long-term.

Expenditure arising from the new legislation is estimated as approximately DM 26 billion per year in the initial period, with finance coming from contributions by insured persons and their employers. The new scheme will, over time, reduce substantially the financial burden on local authorities of meeting the costs of care for older people without sufficient resources of their own. The financing of the care insurance is, nevertheless, controversial, with employers demanding compensation for the extra costs which fall on them.

Further proposals for reform of *Sozialhilfe* were announced in the summer of 1995.

9.9 Overall performance

Social assistance in Germany provides both general minimum income maintenance and a broad and extensive range of social welfare services. The basic subsistence benefit is fairly flexible in providing both standard rates of benefit, supplements to household types likely to be in special need and one-off payments for larger items. Although decision making and administration are devolved to regional and municipal levels, standard rates only vary geographically within a small margin and there do not appear to be major issues of territorial inequality. Individual rights to benefit are well developed in law and backed up by access to review and appeal systems. although a degree of administrative discretion is retained by the local authorities. The existence and involvement of a strong voluntary sector helps to provide some choice for clients in the kind of services which may be appropriate for them, though these agencies have little involvement in the pure income maintenance side of social assistance. Finally. the tradition of active labour market policy is visible both at a federal and local level in schemes to help unemployed

assistance claimants re-enter the workforce. although it is not clear how effective these schemes are at present.

Benefits are relatively low by European standards and may be insufficient to ensure that some households stay out of poverty. The local financing of assistance can be seen as giving authorities an incentive to operate efficiently but it also tends to encourage them to minimise benefit expenditure. It is also not clear how full the take-up of assistance is in spite of an apparent increase over the 1980s. One problem may be that in spite of the legal existence of rights to benefit, these rights are not widely publicised and claiming means-tested benefits is still somewhat stigmatised. Stigma may also be accentuated by the requirement that benefit should be recovered from parents or children not living with the claimant.

Unemployment and family change, and the consequent increase in demand for general assistance have also, as in other countries, begun to place considerable strain on the provision of the more individually-orientated social care which has been seen as an important part of social welfare in Germany (Wienand, 1988).

One further question concerns restrictions to entitlement by non-German citizens, particularly asylum-seekers. Both the unification of Germany and its geographical position, *sharing* borders with countries of the former Eastern Bloc. have made immigration a highly controversial issue, both economically and politically, and the Government has felt it necessary to modify Germany's previously open approach to people seeking political asylum. It is not yet clear what the full effect of the law restricting asylum-seekers' rights to assistance will be, but it is one area where hardship might be expected to increase.

Chapter 10 Greece

10.1 Background

Demography

The population of Greece in January 1994 was estimated as 10.39 million (Eurostat, 1994a). The country has one of the lowest fertility rates in the OECD (1.38) and the population increase which occurred in 1993 was mainly due to inward migration. Over the course of the 1980s, the population growth rate in Greece was under half the OECD average. Like other Mediterranean countries, Greece also has low levels of divorce (0.7 per 1000 inhabitants in 1993) and exceptionally low levels of births outside marriage (2.7 per cent). In 1991 it also had the lowest estimated percentage of lone parenthood (5.7 per cent of families with a child under 15) (Eurostat, 1994b). Like other OECD countries, Greece is experiencing population ageing, and the support ratio is projected to be close to the OECD average by the year 2050, though until recently the proportion of older people in the population was below the OECD average, and below that in all EU countries apart from Ireland and the Netherlands.

The growth in immigration referred to above has in recent years been mainly among people from Albania, and to a lesser extent from other central and eastern European countries, seeking work. According to a recent OECD study (1993p), these workers operate mainly in the underground economy, have unskilled jobs, work intermittently and receive very low remuneration. Most work on farms, in construction or are domestic servants.

Employment and the economy

On the basis of GDP per head adjusted by purchasing power parities, Greece is the poorest country in the European Union, and the poorest country in the OECD apart from Turkey. Nearly a quarter of civilian employment is in the agricultural sector, compared to 15 per cent in Ireland and 18 per cent in Portugal, for example. Economic activity rates for men aged 15 to 64 years are the lowest in the European Union, and those for women exceed only those in Ireland and Spain. The unemployment rate for men is below the European average, but for women it is slightly above average. In 1993 the overall unemployment rate was estimated at 9.8 per cent compared to the EU average of 10.6 per cent and 7.8 per cent for the OECD as a whole (OECD, 1994a). Around 50 per cent of the unemployed in 1992 had been looking for work for 12 months or more.

Greece has an exceptionally high level of self-employment, with 35 per cent of civilian employment in 1989 being among employers or persons working on their own account. In addition, just over 14 per cent of civilian employment is provided by unpaid family workers. Average firm size is under five workers, one of the lowest in the OECD, and less than half of manufacturing employment is in establishments of 20 or more (OECD, 1993p). While there are no official estimates of the size of the underground economy, it is thought to have increased rapidly in the 1980s, amounting to as much as 30 to 40 per cent of the official economy by the end of the decade (Tsakoglou, 1993).

Following the election of the Panhellenic Socialist Movement (PASOK) in 1981, the Government immediately embarked on a massive programme of redistribution. Real average and minimum wages and pensions were increased, and the coverage

of the social security system was extended. Wage indexation was introduced in 1982, and up to 1984 it was difficult for employers to make workers redundant_ requiring approval from the Ministry for Labour. The scope of these reforms can be appreciated from Tsakloglou's (1988) estimate that about two-thirds of the decline in inequality between 1974 and 1982 occurred between 1981 and 1982. However, this programme has been criticised as poorly designed and probably unsustainable in the long run (Tsakloglou, 1993). The increase in labour costs reduced profitability *and* competitiveness and economic growth slumped (from 3.1 per cent per year in the 1975 to 1980 period to 0.7 per cent per year between 1980 and 1985, rising to 1.4 per cent per year between 1985 and 1990). Unemployment increased from around two to three per cent in the 1970s to eight per cent in the late 1980s.

Until the late 1970s Greece had one of the smallest public sectors of any European country. but general government outlays increased dramatically from around 33 per cent of GDP in 1980 to 39 per cent in 1981. 48 per cent in 1985. and 53 per cent in 1990, before declining somewhat to around 51 per cent in 1992. Government receipts have not kept pace with outlays and, for example, fell from 30 per cent to 29 per cent of GDP between 1980 and 1981. although increasing to nearly 40 per cent by 1992. As a consequence. gross public debt in 1993 was 106 per cent of GDP, exceeded only by Belgium and Italy among OECD countries. General government net debt interest payments accounted for 25 per cent of total expenditure in 1993, the highest level in the OECD. Expenditure on social security {defined as `social protection" minus health costs) in 1989 - the latest year for which figures are available - was estimated at 16.85 per cent of GDP, compared to an EU average of 17.61 per cent (OECD. 1993d, Table 1c).

Greece had the highest inflation rate of any European country during the 1980s, and the highest in the OECD apart from Turkey. Consumer prices increased by more than 13 per cent a year since 1978, and sometimes by nearly twice that rate. Real hourly earnings fell by more than 13 per cent between 1985 and 1992. Recent OECD reports have been very critical of the management of the Greek economy, arguing that the deterioration in Greece's relative position can be ascribed to the policies followed during the 1980s, and suggesting that there was a risk that the economy in the 1990s would be caught in `a vicious circle of stagflation associated with increasing balance-of-payments tensions' (OECD, 1993p, p.55).

Political framework

Greece - officially the Hellenic Republic - is a unitary country with a strong centralistic tradition. There is a tendency for decisions to be taken at the highest administrative or political level. The central government is represented at regional, department and district level. There is a single level of local authorities, with a high degree of fragmentation of financially-insecure municipalities. Social protection. as well as public education and health services, is the responsibility of central government.

The Parliament is composed of a single chamber, the National Assembly, with 300 Deputies elected for four years. The Head of State is the President of the Hellenic Republic. who is elected by the National Assembly for a period of five years, and can be re-elected for one further term only. The Government is headed by the Prime Minister, who is nominated by the President of the Republic. but has to be the head of the majority party or coalition. and thus since 1986 has no longer to rely on the confidence of the President. Greece joined the European Union in 1981.

Greece has not always fitted the ideals of representative liberal democracy, having experienced various military regimes, most recently the dictatorship from 1967 to 1974. Since then, Greece has been in the process of an intense modernisation process but, while changing, still retains characteristics of a society based on traditions of patronage. The Greek political system has been characterised as one emphasising personality politics. with voters remaining loyal to individual

politicians, who were not completely dependent on the party structure or the party leader. However, many of the traditional features of the socio-political structure began to change from the beginning of the 1980s, when a broad alliance of the urban middle and lower-middle classes and the peasantry brought PASOK to power in 1981 (Petmesidou, 1991).

10.2 The social security system²⁷

The Greek social security system is marked by considerable diversity and complexity. There are four major social insurance funds and around 90 supplementary schemes. The main funds provide coverage for private sector employees (covering around 45 per cent of the population), for farmers (around 33 per cent), for civil servants and the armed forces, and for other self-employed people. The employees' scheme, run by the Institute for Social Insurance (IKA), is funded by contributions from employees and employers. Some of these contributions go towards financing other funds, including those of the farmers (OGA) and civil servants, which are mainly non-contributory. The largest funds are not self-governing but managed by government appointees under the supervision of Ministry of Health, Welfare and Social Insurance. Fund deficits, which in the case of IKA amount to around 25 per cent of current outlays, are financed by Government.

The various funds operate five main systems covering basic insurance, auxiliary insurance, sickness insurance, provisions for lump-sum benefits, and complementary protection. These schemes are not well harmonised, however, and there is no basic standard of minimum benefits. The benefits provided and the contingencies covered vary across the different schemes. The IKA is the largest fund and, over time, has incorporated other smaller schemes.

As the IKA scheme is the most important, it will be described briefly. The retirement pension is available for insured persons who have a contribution record of approximately 13.5 years. Pensioners may still work, but where monthly income exceeds 35 times the minimum daily wage for unskilled workers, payments are suspended. There are a variety of opportunities for early retirement, either for those who have carried out heavy or unhealthy work or those with longer contribution records. There are provisions for married women and for widows as well as dependants. The pension amount consists of a basic amount plus supplements. It appears that the basic payment decreases with increasing earnings, while the supplement increases.

Sickness insurance is available to cover medical costs and loss of income as a result of sickness or maternity. Invalidity insurance is available in respect of permanent incapacity, and conditions bear a strong resemblance to those for retirement pensions. There are no contribution requirements with regard to occupational diseases and industrial injuries. To receive Unemployment Benefit, individuals must be below the age of 65 and capable of work, involuntarily unemployed and registered with a labour exchange. They must also have a contribution record of 125 days in the 14 months preceding the two months prior to the commencement of unemployment, with different conditions applying to first claims. Unemployment Benefit is initially available for two months only, but may be extended for those with longer work histories and older workers. Under some schemes there are possibilities for extension of benefits for relatively short periods. For manual workers, payments are 40 per cent of estimated income within relevant classes of earnings, and for other employees the figure is 50 per cent. There are additions for dependants and a minimum benefit level of two-thirds of the statutory minimum daily wage for unskilled workers.

An important initiative was the introduction of a national health system in 1983, designed to offer medical benefits in kind, but this is still in the process of being phased in. The system is non-contributory and state-financed. Social insurance

Most of the information in this section comes from Pieters, 1993.

schemes covering medical expenses still run in parallel with this. however. There is no national system of family benefits, but the Manpower Employment Organisation (DEAD) pays benefits to the majority of employees, subject to fairly low contribution requirements. Benefits vary by earnings class and the number of children and are paid as an annual lump sum.

The Greek social insurance system is now commonly regarded as being in crisis. This reflects the general economic problems of the 1980s, including the increase in unemployment. plus the expansion of spending on older people, which was not matched by an increase in contributions. Between 1979 and 1985. public pension expenditure in Greece increased from 5.8 to 10.7 per cent of GDP. virtually doubling in real terms, so that relative pension *spending* per older person is now 17 per cent above the OECD average, exceeded only by Italy, Austria, France and the Netherlands (OECD. various years). During the 1980s the number of persons insured increased by 23 per cent and the number of pensioners by 42 *per cent* (Robolis. 1993). In 1988 the gap between the pension expenditures and receipts of insurance organisations was equivalent to about three per cent of Gross National Product. There have been substantial reforms in the early 1990s designed to reduce outlays and increase receipts (see Robolis. 1993). It should also be noted that Greece has a very low level of income taxes. thus restricting the capacity of the Government to deal with the financing problem.

10.3 Social assistance

Introduction

In contrast to the plethora of social insurance arrangements, it is generally agreed that social assistance in Greece is very limited and of minor importance within the social security system as a whole (K.remalis et al., 1990; Pieters, 1993: Amitsis, 1993, 1994). Until recently, the main form of social assistance protection was aimed at the coverage of emergency situations. such as for earthquake victims or refugees, and the legislation providing lump-sum benefits for people in need.

This low level of social assistance provision has been attributed to two sets of economic considerations (Papadopoulos. 1994). The first concerns the problem of financing the social insurance deficit. which leaves little space for financial manoeuvre in terms of increases in other components such as social assistance. The second set of considerations relates to two of the structural characteristics of the Greek economy, namely the problem of tax evasion and the large size of the informal sector^s. Given these characteristics there is a view that the likely outcome of establishing a general system of social assistance would be the subsidization of social strata which enjoy income from other sources.

There is a range of social assistance-type provisions, but like the social insurance arrangements these too are characterized by fragmentation. Coverage is provided for specific (limited) categories, rather than through a general, comprehensive scheme. Thus. although the system attempts to meet the needs of some of the most vulnerable groups, it does not address the problem of poverty in general. On the other hand. some of those schemes which are generally classified as providing minimum income protection are not fully means-tested, and only the receipt of other insurance-based payments is counted against the assessment of benefit. To some extent this is connected with the difficulties of assessing earnings in a country with an incomplete tax assessment structure.

One of the main reasons why the Greek social assistance system has evolved in such a fragmentary manner relates to the way the specific schemes have been developed. This tends to be have been in response to immediate problems or crises,

a In the First Greek National Report for the Observatory on Policies for Combating Social Exclusion it is stated that 'problems in under-reporting income for tax purposes mean that it is unlikely that any government initiative will be taken in this direction. as it would result in many, who have income from other sources, being subsidised' (quoted in Amitsis, 1994).

rather than as the outcome of the application of basic social rights. Although the right to social assistance can be based on several articles of the Greek constitution (2.1, 5.1, 21.3, 25.4) and on the Legislative Decree 57/1973, the use of imprecise and abstract concepts within these statutes makes it difficult to specify the institutional context within which the corresponding policies are to be implemented (Amitsis, 1994).

Briefly, the characteristics of the Greek social assistance system can be outlined as follows:

- § A general scheme of guaranteed minimum incomes does not exist. Instead, the system consists of a number of categorical minimum income schemes. There is no set of common criteria applying to the provision of benefits.
- § The categorical minimum income schemes aim to provide coverage to a large number of groups in high risk of poverty, namely unprotected children, lone parent families, large families, non-insured older people, people with mental or physical disabilities, homeless people and migrants from outside the European Union. Apart from a small scheme concerning first-time job seekers and a scheme providing a lump-sum benefit in cases of emergency, there is no other provision for unemployed people once any insurance entitlement has expired.

Such schemes as exist are nationally uniform, with no local variation in provision, eligibility or levels of payment. Policy responsibility for most of the schemes is exercised at central level by the General Secretariat of Assistance, part of the Ministry of Health, Welfare and Social Insurance (MHWSI). At a regional level, policy implementation is exercised by the Social Assistance Departments of the Prefectures. In addition, the implementation of some schemes is exercised by the OGA (Organization for Agricultural Insurance) and by separate legal bodies under public law, set up specifically for this purpose. Schemes providing for the unemployed are administered by OAED (Manpower Employment Organization), a statutory body supervised by the Ministry of Labour. Participation in administration and implementation of assistance schemes by local government is limited and confined mainly to provision of in-kind services such as retirement homes.

Although limited, the system is still highly complex. No formal codification of social assistance regulations has been carried out and the assistance schemes are provided under a wide range of different legal instruments.

Legislation and policy objectives

This section briefly describes the legal framework and the aims of the different assistance schemes.

1. Scheme for unprotected children

This was introduced in 1960 with the aim of providing help for children who face severe socio-economic problems. It was originally mainly concerned with the consequences of large-scale population movements from the country to the cities as a result of agricultural decline, conditions of poverty resulting from the Civil War, and the repatriation of Greek citizens from Eastern Europe and other areas of the Mediterranean. The basic legislation concerning the scheme was Law 4051/1960, which has since been amended six times, most recently in 1991. Linked to this provision there is also a very small scheme of monthly assistance for unmarried mothers or single fathers.

2. Schemes for the protection of families

The provisions under this category include the benefit scheme aiming to protect large families (three or more children), enacted in 1972 by Law 1153, and newer measures for the social protection of mothers with many children, enacted in 1990

by Law 1892. All schemes are part of demographic measures aiming to deal with the problem of low birth rate. Law 2163 in 1993 extended eligibility to fathers of many children as well as mothers.

3. *Scheme for the protection of maternity*

This scheme was enacted by Law 1302 in 1982, which ratified the 103/1952 International Labour Convention on the protection of maternity. A series of Ministerial Decisions clarified the issues relating to its implementation. The policy objective is to provide coverage to every pregnant woman who is not insured - that is, not entitled to maternity benefits from any social insurance scheme.

4. *Schemes in the protection of persons with special needs'*

Income maintenance measures for persons with physical or mental disabilities are characterized by their diversity and complexity. There is no single categorical scheme for mentally or physically disabled people, rather a series of different schemes for people in different categories. In most cases, the legislative framework consists of a large number of Ministerial Decisions, with a different set for every category.

5. *Schemes for older people without insurance cover*

Two schemes fall under this category. Under Law 1296 of 1982, a special fund was established to protect persons not affiliated to any social insurance scheme. This scheme is administered by the Organisation of Agricultural Insurance (OGA) and provides a minimum pension and medical care to Greek citizens living in Greece and older than 65 years, who do not receive social benefits from other sources and whose incomes fall below the OGA pension level.

The second scheme provides a Housing Benefit to people over 65 years who are without insurance cover and in need. It was established in 1985 by Ministerial Decision and has been amended twice since then.

6. *Scheme for young unemployed people*

Law 1545, enacted in 1985, provides a limited non-contributory Unemployment Benefit for first time job-seekers.

7. *Schemes for non-EU immigrants*

There are a series of complex provisions for migrants from outside the European Union, according to four main categories: alien workers who hold work licenses or work permits, political refugees and asylum seekers, individuals and families of Greek origin repatriated from Eastern Europe or from Mediterranean countries. A series of provisions concerning their legal status and their social protection were introduced in 1991 (Law 1975), but earlier legislation from 1973 and its amendments remains the basic statute dealing with these groups. For returning Greek citizens in particular, recent amendments to the law have extended protection by introducing a new set of benefits designed specifically for them. However, in terms of means-tested social assistance, their needs are mainly met under the other categorical schemes.

8. *Special assistance*

The special assistance scheme is designed to deal with emergency situations and provides a single lump-sum payment. It provides help for Greek citizens permanently resident in Greece who:

- find themselves in need, or
- * face problems arising from their social, physical or mental condition (due to infirmity or old age), or

find themselves temporarily or permanently in a state of need following illness, natural disaster or other unforeseen events.

The main laws and regulations covering special state assistance are Legislative Decree 57/1973, with Ministerial Decisions governing an application, Laws 776/978 and 1331/1983, and also Royal Decree 972/1966 on the granting of tents to disaster victims. Although it is limited to a one-off, lump-sum payment, special assistance is as near to providing a generalised, non-categorical 'safety net' as exists in the Greek social security system.

Because of the specificity and complexity of these schemes, the next section combines discussion of both conditions of eligibility and rates of benefit payable for the main relevant programmes.

Conditions of eligibility and benefit levels

1. Scheme for unprotected children and other relevant schemes and programmes

A child is entitled to this allowance if one of the following applies:

- s he or she is an orphan
- 11 his or her father has died
- the father is alive but cannot provide support because he is:
 - physically or mentally disabled
 - suffering from one or more specified medical conditions (such as HIV/Aids)
 - morally unworthy'
 - away from home with no prospect of returning
 - in prison for over three months. or
 - has joined the armed forces
- he or she is born out of wedlock or is a child of unknown parents.

Children who are in residential care or receive benefits from other welfare agencies for the same risk are not eligible for the benefit. The allowance is payable until the child reaches the age of 16. Benefit is currently 12,000 Drachmae (DR) per month (around US\$63 or £39) and is paid until the child reaches the age of 16. It is means tested. Benefit is not automatically indexed and can be increased only by Presidential Decree.

In addition, there are a number of other schemes and social programmes, aspects of which overlap with the scheme for unprotected children. Their aim is to protect unmarried mothers or families in economic difficulty by providing income support. They are administered by the Patriotic Foundation of Social Welfare and Security (PIKPA), a statutory body, and the Infant Centre MITERA (Mother), a private foundation.

PIKPA provides benefits in cash to two categories:

- ® Children living in families with very low income. This is a means-tested benefit paid until the child reaches the age of 14.
- § Lone parents facing emergency medical or social problems. The amount is 36,000 DR per month (around US\$188 or £118) for one child and 50,000 DR per month for two or more children. A condition for receiving the benefit is that the child must not be receiving a benefit for the same risk under another scheme.

MITERA provides cash allowances to one parent families after assessing their income. Recently the eligibility rules were tightened and only a handful of mothers now receive this allowance. In June 1994 only 316 children in 232 families were covered.

Schemes for the protection of families

These schemes provide a range of allowances related to the number and age of children, particularly for large families. Benefits range from very small payments for the third child to lifelong pensions for mothers of four or more children. However, none of these are means-tested and they cannot be considered as social assistance as defined for the purposes of this study. Rather they are 'demogrants', or non-contributory categorical payments, rather like Child Benefit in the UK.

3. *Scheme for the protection of maternity*

This is a scheme providing a maternity payment for working women who do not qualify for maternity insurance. The benefit is means tested and amounts to a total 50,000 DR for the period six weeks before the delivery and a further 50,000 DR for the six weeks after the child's birth. Up-rating is subject to ministerial decision.

4. *Schemes for the protection of persons with special needs*

Here again, means-testing as such was abolished in 1989 and these benefits are only subject to insurance status and assessment of the receipt of other insurance benefits. Nevertheless, they are of some interest so a brief description is included.

'Persons with special needs' is a general term used to describe the following categories of disabled persons: Blind, Deaf and Deaf Mute, People with Learning Difficulties, People with Cerebral Palsy, Paraplegic and Quadriplegic Disabled, Persons suffering from Sickle-cell Anaemia or other diseases, People with Severe Physical Disabilities (above 67 per cent on a scale). A new category of People with Aids or Haemophilia has recently been introduced. Support comes primarily through cash benefits, although other forms of assistance, such as vocational training and home care, are also available. Different levels of benefits apply to the different categories of disabled people. Further, most of the general categories are further subdivided into smaller categories and it is often the case that different levels of benefits apply to the different subdivisions as well. These subdivisions are based on a variety of criteria. In some cases (blind) subcategories are according to employment and insurance status, in others (deaf-mutes) according to age, and in others (paraplegics) according to the type of disability. It is often claimed that the differences on eligibility criteria existing amongst the different categories and sub-categories result in the creation of discrimination between the different groups of disabled people. For instance, it is argued that the blind are 'the most effectively covered category' (Amitsis, 1994, p.38) while some sub-categories of other groups (unemployed deaf-mutes over 25 years of age) are excluded from claiming benefits. The monthly allowances from the beginning of 1994 were as follows:

| | |
|---|--|
| Blind people | Varied according to different sub-categories between 15,970 DR (for those employed) to 44,000 DR (for those not insured) |
| Deaf and deaf-mute people | 15,750 DR |
| People with learning difficulties | 18,650 - 26,100 DR, depending on what other allowances received |
| People with cerebral palsy | 26,650 DR |
| People suffering from Sickle-cell Anaemia or other diseases | 20,000 DR |

| | |
|---|---|
| Paraplegic, quadriplegic and other severely physically disabled persons | 60,000 DR basic allowance, reduced by 213 if the person is in institutional care. Additional lump-sum payment of 100,000 DR (for those wishing to enter self-employed or professional work), and a monthly fuel (mobility) allowance of 20,000 DR |
| Persons with physical disability of over 67 per cent | 21,300 DR |

The basic monthly benefits available thus ranged from 15,750DR (around US\$82 or £52) to 60,000DR (US\$313 or £196). It has been argued that the lack of a means test for these benefits, while aiding the removal of stigma, has tended to contribute to the low level of payments, thus limiting the help provided to the genuinely needy. However, benefit levels are currently in the process of being increased, in stages, by 20 per cent overall by the end of 1995.

z. *Schemes for older people without insurance cover*

Two schemes fall under this category. The first provides a payment equal to the OGA pension for people aged over 65 years (68 before the beginning of 1993), who do not have insurance cover *under* the contributory scheme. It is one of the few schemes guaranteeing a minimum income, although it is not generally regarded as adequate for a decent standard of living. From 1994 the rate was 22,500 DR per person per month (around US\$ 117 or £74), plus small supplements for children under guardianship or for spouses under 65 years old. Benefit is not automatically indexed and is not taxable. It is income-tested, but only by *means of* a basic statement of resources, with little further scrutiny of claimants' circumstances.

The second scheme provides for the housing needs of the non-insured elderly. It is a monthly allowance in the form *of* rent subsidy. In 1994 the payments were 11,000 DR per month for a single person and 14,550 DR per month for a married couple, rising to 13,080 D.R and 17,420 DR in 1995. It is *not* automatically indexed and is not taxable.

6. *Schemes for unemployed people*

In general, support for the unemployed can take the form of either 'active' (training, subsidized employment, self-employment) or 'passive' (unemployment assistance, income support) programmes. It is generally maintained that the Greek system providing social protection to the unemployed is inadequate, both in its insurance *and* its limited assistance element. Greece is one of the few member countries of the European Union not providing some form of general income assistance after entitlement to unemployment insurance is exhausted. However, a limited, non-means-tested scheme providing minimal financial support to first-time job-seekers does exist. To qualify for this, an applicant must:

- be between 20 and 29 years of age
- be a first time job-seeker
- S apply for registration at the employment office no later than three months after completing his or her 20th year, or after completing his or her studies or, for men, after having been discharged from the army
- S have been unemployed for at least 12 months after registering in the employment office
- S be willing to undertake employment or attend a training course suggested by the employment office (OAED).

Benefit is paid for a maximum of five months at 25,000 DR per month (US\$130 or £82).

Residence and nationality

For most of the schemes, Greek citizenship and permanent residence in Greece for at least two years in the relevant province are the minimum conditions of eligibility. Greece has ratified the European agreement on state and medical aid by Decree 4017 of 1959. This covers Belgium, Denmark, France, Germany, the Netherlands, Norway, Ireland, Iceland, Luxembourg, the United Kingdom, Italy, Sweden and Turkey. Where there is a social security agreement, or where they have EU citizenship, foreign nationals may be eligible for benefits, subject to residence. In other cases there is the opportunity for ministerial decisions. If a refugee or asylum seeker has a permit to stay they will be eligible as above.

With regard to the schemes for unprotected children and maternity, nationality requirements are not specified and according to Amitsis an amendment defining this subject is more than necessary' (1994, p.21). As far as the scheme for the protection of maternity is concerned there are no nationality or residence conditions. Finally, entitlement to social assistance payments is generally not portable to other countries, although there is *some* legal uncertainty in relation to the minimum pension scheme because the boundaries between it and the insurance pension are not entirely clear.

Availability for work and labour market policy

Recipients of means-tested social assistance schemes are not required to be seeking work. People are allowed to work while in receipt of social assistance, but earnings are normally taken into account for the means test. Only the non-means-tested First-time Job Seekers Benefit has a work test attached.

The benefit unit

The unit of entitlement to social assistance is mainly the individual (such as lone mothers, mothers with many children, disabled people and so on). In some circumstances it is the family or household (as is the case for the lump-sum payment in emergency situations). In this context the family is defined as related people living under the same roof, thus including uncles or grandparents, for example, if co-resident, but in some circumstances other relatives, such as an unmarried adult daughter, would be able to claim some benefits separately.

Both partners in a couple can apply for assistance, but payments are made to whomever the Department considers the responsible person. Children are considered as dependent up to the age of 16 years.

Income and assets tests

The level of detail available on how income and means testing is carried out for the benefits to which it is applicable is rather limited. This is partly because, as Amitsis (1994) points out, regulations governing income tests are often not specific. Officials therefore exercise considerable discretion in this respect.

In general, incomes of non-resident family members are not taken into account when assessing benefit entitlement. Forms of income and resources normally taken into account include: earnings (wages are considered net), children's income (when they live in the same household), child support (maintenance paid by a parent no longer living with the family), other social security benefits, investment income and income from sub-tenants and lodgers (if it is mentioned in the tax declaration). The value of an owner-occupied house might also be taken into account, though it is not clear how this is done.

In practice, means tests apply only to the schemes for unprotected children and lone parents, the maternity benefit, the minimum pension and housing benefit for older people and the lump-sum special assistance payment.

Entitlement to the first depends on the child's monthly family income not exceeding a specified limit, which varies, depending on the child's living circumstances, from 48,000 DR (7,000 DR for each family member over three persons) to 55,000 DR (with the same additional person supplement). Different limits are also assigned to different types of families. Certain types of expenses or income are often disregarded in the calculation, including rent, the costs of housing loans and alimony, although the rules are imprecise.

For the means-tested maternity benefit, a woman must have a 'certificate of Financial need', awarded under Legislative Decree 57/1973. It is not clear under what conditions such a certificate is awarded, but it involves an assessment by a social worker.

The minimum pension is awarded where no social insurance pension or other social security benefit is in payment and where income derived from employment or other sources did not, in the previous tax year, exceed 14 times the monthly OGA pension (double for a couple). This is demonstrated by self-certification and without a detailed means test. Income not counted would include any special relief payments from the Ministry of Health, or allowances for refugees through the UNHCR.

The means test for the special lump-sum assistance payment is discussed below.

Other assistance-linked benefits

There is no separate income-related benefit for families in work. People receiving social assistance, or otherwise having low incomes, may have access to free cover for medical expenses, if they are not insured, through 'certification' under Legislative Decree 57/1973. This is an important area of provision and covers many more people than those receiving assistance. There are also educational allowances available on a means-tested basis. Some categories of people (mainly large families) have access to reduced fares on public transport and concessionary charges for leisure facilities.

One-off and urgent payment.'

The special assistance scheme is governed by Legislative Decree 57/1973 and subsequent amendments. As we have seen, it constitutes as much of a general safety net as exists in Greece, but only provides one-off, lump-sum payments to cover emergencies. Strictly speaking the first two conditions of eligibility (need and old age or infirmity) only provide the basis for access by these groups to the other categorical schemes. Only the third 'extraordinary event' condition gives access to specific cash payments. Currently these payments are available in the case of natural disasters or for individuals (and especially large families) who find themselves in financial emergencies. The legislation was originally developed mainly to help Greek people returning from Eastern Europe or other parts of the world, many of whom were displaced by the Civil War which followed the end of World War II. Between 15,000 and 100,000 DR can be paid at the discretion of the local Prefectures and the same amount by the national Division of Public Relief, which is part of the Ministry of Health, Welfare and Social Insurance. The total amount available to any family in the course of one year is thus 200,000 DR (equivalent to approximately US\$1,042 or £654).

This sum is available subject to the basic conditions that:

- the needs arising from the claimant's circumstances are not covered by any social security organisation
- it is demonstrably impossible for them or their family members to cover these basic needs.

There is no minimum age of eligibility, but special assistance is only awarded after a detailed investigation of the family's economic circumstances.

Special state assistance is subject to national regulations and the amount available is set at the national level. The budget is revised by decisions of government. Prefectures can pay special assistance at their discretion.

Administration and the claiming process

The policy responsibility for the *scheme or unprotected children* lies with the Department of Childhood Protection (Division of Family and Childhood Protection. MHWSI). The Social Assistance departments of the Prefectures are responsible for the implementation of the programme. PIKPA (Patriotic Foundation of Social Welfare and Security) administers a scheme for children living in families with very low incomes and the scheme for single parents facing emergency problems, while the Infant Centre M.ITERA provides a cash allowance to single parent families. In the case of the scheme administered by the *MITTERA* Centre, 'the provision of benefits depends on the discretionary powers of the Executive Council of the Centre' (Amitisis, 1994, p.27).

The *scheme for large families and the pension scheme for older people without insurance* are administered by OGA (Organization for Agricultural Insurance), The *scheme for first-time job-seekers* is administered by the Manpower Employment Organisation (OA.ED). The rest of the schemes are administered by the Ministry of Health, Welfare and Social Insurance (MHWSI) and implemented by social services departments in the prefectural level.

Applications can be made in person or by post to the relevant organisation. Allowances are paid by money orders payable at a bank. Claimants must show an identity card and make a declaration that circumstances are honestly presented. Claims may be granted after a welfare inquiry and social workers may make a home visit to check on people's circumstances. In cases of fraud, culpable persons are liable for repayment of assistance plus the expenses involved.

There are rights of appeal against administrative decisions, but these are all internal. The official response suggested that errors are unlikely to occur as 'decisions pass through several administrative levels'.

The role of non-governmental organisations in social assistance

According to the official questionnaire response from the Greek Ministry, non-governmental organisations play an important role in the granting of social security. Essentially they use their own resources, but can in some cases receive a subsidy from the State on request. Given the relatively low level of assistance provision in Greece, it is likely that charitable and other voluntary organisations play a substantial role, along with the family, but no further information is available.

10.4 Housing assistance

There is an extensive social housing programme in Greece, which involves means-tested, low-interest construction loans, improvement loans, subsidised dwellings and various tax exemptions. In addition, as has been mentioned, there is a housing benefit for single people or couples aged over 65 without social insurance cover and whose only resources are the minimum pension allowance. This housing benefit covers *rents* in the private sector only and is paid directly to landlords. People in receipt of social assistance do not get help with paying mortgages. There is no information available on the number of people receiving help under this scheme, but it is thought to be low, partly because of a lack of knowledge about the scheme and because of its administrative complexity.

10.5 Trends in expenditure on social assistance

Full data are not available on all the minimum income programmes. Special assistance in particular is distributed mainly at a prefectural level and data are not available on actual expenditures at a national level. Table 10.1 brings together the

Table 10.1: Expenditure on social assistance schemes, 1980-1993

| Assistance schemes | (MILLIONS DR) | | | | | | | | | | | | | |
|----------------------------|---------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|-------|-------|-------|-------|
| | Year | | | | | | | | | | | | | |
| | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 |
| Unprotected children | | 261 | | | 1,418 | | | | 2,503 | | 8,000 | | | |
| Large families | 1,419 | 1,703 | 1,808 | 1,975 | 2,099 | 2,248 | 2,333 | 2,248 | 2,132 | 2,037 | 1,843 | 2,100 | 2,250 | 2,392 |
| Mothers with many children | | | | | | | | | | | | 36 | 52 | 61 |
| Persons with special needs | | | | | | | | | | 10,536 | | | | |
| Non-insured older people | 123 | 2,226 | 2,623 | 3,171 | 4,324 | 4,659 | 4,625 | 4,274 | 6,250 | 6,457 | | | | |

Sources: Amitsis, 1994

Ministry of Health and Welfare, 1994

Table 10.2: Numbers of people receiving assistance benefits, 1985-1993

| Assistance schemes | Year | | | | | | | | | |
|----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--|
| | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | |
| Unprotected children | | | | | | | | | | |
| - families | | | | 17,222 | 19,844 | 22,705 | 23,111 | 23,785 | | |
| children | | | | 33,250 | 35,963 | 40,975 | 42,603 | 43,402 | | |
| Large families | | | | | | | | | | |
| families | 251,928 | 262,915 | 251,116 | 239,593 | 230,405 | 216,469 | 216,519 | 224,835 | 199,418 | |
| children | 313,938 | 329,318 | 313,056 | 297,665 | 287,518 | 267,334 | 266,750 | 269,800 | 246,882 | |
| Mothers with many children | | | | | | | 89,574 | 129,785 | 144,960 | |
| PIPKA /M ITRA schemes | | | | | | | | | 2,500 | |
| Special needs | 31,604 | 37,240 | 36,992 | 49,313 | 50,154 | | | | | |
| Non-insured older people | 37,080 | 36,622 | 34,732 | 32,847 | 32,066 | 31,092 | 30,269 | 29,496 | 30,668 | |
| First-time job-seekers | 7,158 | 9,884 | 11,227 | | | | | | | |

Source: A.mitsi_s, 1994

data available on the various programmes. It should be noted that not all of these benefits are means-tested, but they are included because they are considered as part of the system of minimum income protection in Greece. The figures given include administration costs. There is no information available on the cost of the First-time Job Seekers Benefit.

Credits provided for special state assistance for the year 1994 amounted to 1,450 million DR (Ministry of Health and Welfare, 1994). Special assistance is financed from the state budget of the Ministry of Health and State Insurance. These subsidies are supplemented from donations and contributions in cash or kind from individuals or legal entities, and receipts from collections, raffles, social events etc, plus a sum equal to two per cent of the gross income from collections, raffles and philanthropic sales in the province.

It has been estimated that 2.58 per cent of total expenditures under the Social Budget (social security, health care and social assistance) in 1989 were in respect of social assistance (A-mitsis, 1991, p.255n), increasing to 3.8 per cent in 1992 (Papadopoulos, 1994).

10.6. Trends in receipt of social assistance

Table 10.2 provides such information as is available on the numbers of beneficiaries over the period since 1985. There are no data available on the numbers of people receiving special assistance.

Although the number of recipients of some schemes has been increasing, none of the growth has been very dramatic. Recent figures for the first-time job-seekers scheme are not available, but it appears that the upward trend in receipt between 1985 and 1987 is likely to have continued.

The largest percentage of people receiving special needs payments were blind people (37 per cent in 1989). It is also interesting to note that more than three-quarters of the recipients of the minimum pension were women, reflecting their lack of labour market-based insurance pensions. However, the overall numbers have been declining. Take-up of this benefit is thought to be low, although in general little detailed research has been carried out about levels of take-up of assistance benefits.

10.7 Policy issues

Poverty, inequality and social exclusion

Poverty research in Greece is more limited than in many other European countries. The first studies of poverty were conducted in the 1970s (Crockett, 1970; Beckerman, 1979) and the most recent studies refer to the late 1980s. In general, these studies have found that the extent of poverty and inequality is greater in Greece than in most other countries of the European Union. According to Beckerman (1979), who based his findings on data from the 1974 Household Expenditure Survey (HES) data, in 1974 about 28 per cent of Greek households were living in poverty. Karantinos (1981) found the overall figure of the households below the poverty line in 1974 to be 31 per cent, while Kanellopoulos (1986) estimated the figure to be 27 per cent. Other studies (Tsakloglou, 1988), using data from both the 1974 and the 1981/82 HES, concluded that only a small reduction in the percentage of population below the poverty line had occurred between 1974 and 1981 -- from just over 24 per cent in 1974 to just under 23 per cent in 1981. Karagiorgas *et al.* (1990) estimated the percentage of households below the poverty line in 1981 to be 21 per cent. In Eurostat (1990), two poverty lines set at 40 per cent and 50 per cent of the average level of consumption in the EC were used, with the percentage of the population living below the poverty lines in Greece being 17 and 29 respectively. Finally, in a recent study of poverty in several European countries and regions (Deleeck *et al.*, 1991) the overall percentage of households living in poverty in Greece was estimated as 20 per cent, the highest

amongst the countries of the study. This study was based on the most recent data available (the 1987/88 HES).

Studies on social exclusion (defined as exclusion from participation in the mainstream social and economic life of the community) are rare. Recently, the results of a study by Balourdos and Jorjopoulou (1994) on the effects of social exclusion on older people were presented in a conference dedicated to this issue¹⁰. It was estimated that 34 per cent of households consisting of older people were in poverty, almost double the national average if the 40 per cent poverty line is taken as the measure. Incidences of isolation, loneliness and alienation from relatives, friends, communities and the welfare services were found to be common among older people. Moreover, an opinion survey in the Eurobarometer series¹¹ found older Greek people to be amongst the least satisfied with their conditions of living in Europe - only six per cent answered that they were very satisfied with their lives and their position in society, compared with 68 per cent in Denmark and 43 per cent in the Netherlands.

Perceptions of poverty are influenced by the political context in which the problem is debated. Tsakoglou (1993, p.369) has described this context in the following terms:

There are only a few cases where poverty was placed at the centre of public debate. If one looks back at the Prime Minister's statements or at the blueprints of the Five Year Plans for Economic Development of the post-dictatorship era, one will ascertain that the term 'poverty' is used, but only a few times, and that often there is a mix-up between the terms 'inequality' and 'poverty'".

There appears to be no organised poverty lobby in Greece. However, there are a number of associations representing the interests of groups at risk of *becoming* poor or excluded, such as the associations of persons with physical or mental needs, the association of large families, and the association for support of prisoners or ex-prisoners and their families. In most cases, their organisational structure is that of a federation or confederation of local groups (such as the Confederation of Large Families). Generally, these organisations concentrate on pressurising the Government or lobbying politicians in order to achieve an increase in state benefits targeted to the group they represent, or to achieve the enactment of measures of positive discrimination. Alternatively, they provide members with advice on entitlements to the different types of benefits. Lobbying activities can include demonstrations outside the relevant ministries or the Parliament. Occasionally, these demonstrations have been accompanied by other forms of direct action or hunger strikes.

Politics within these groups are also an issue. Party confrontation is usually reproduced within the organisations, as the different political parties are represented by different factions. Occasionally there are splits which result in the creation of different organisations and, thus, effectiveness is related to unity. Probably the most internally united and active amongst the groups is the Association for the Blind. Its struggles in the late 1970s - often by means of direct action - achieved the enactment of numerous measures (including benefits) in favour of its members.

Professional associations in the field of social welfare are also involved in public discussion and debate concerning poverty and social security. Papadopoulos (1994), however, argues that the links between social research and pressure groups' demands for cash benefits, services or other policies have been relatively undeveloped.

¹⁰ *Ageing and Society*, Conference organised by the National Centre for Social Research, S-i0 November 1991, Athens.

¹¹ Mentioned in *Eleftherotipia*, 8th November, 1993.

¹² Translated from the Greek by the national informant.

Public debate

Specific opinion surveys concerning social assistance arrangements have never been conducted in Greece, although some data on Greek public opinion on issues related to social assistance can be found in the Eurobarometer series. In the last four or five years there has been a liberalisation of the law concerning television and radio broadcasting, resulting in the establishment of numerous TV and radio stations and followed by an increase in the number of reports on poverty and social exclusion. However, newspapers have reported more commonly on poverty issues. *Eleftherotipia*, a widely read left-of-centre Greek daily, often carries items on poverty which are consistently critical of the lack of state policies in dealing with these problems. In particular, between the 24th of September and the 8th of November 1993, at least three reports on the incidence of poverty amongst older people and pensioners were published, linked to the conference mentioned earlier. A debate also took place in early 1994 in the pages of *Eleftherotipia* concerning the wider political and social aspects of universality versus means testing".

Stigma

Social assistance in Greece is geared towards situations of exceptional circumstance. Only in the case of people with disabilities does it seem that an implicit distinction between the level of benefit amongst the different categories creates a situation of 'deserving' and 'undeserving', or to put it in another way, of unequal treatment. Kremalis *et al.* noted (1990, p.198) that although 'since 1989 the criterion of lack of financial means as a prerequisite for granting benefits to handicapped persons has been abolished ... the rest of the prerequisites vary from one category to another, which results in unequal treatment'. However, this may be seen more as an issue of inequality than of stigma *per se*. The paucity of relevant research does not make description of the extent of the problem possible. Although researchers often mention 'stigma' as a potential outcome of existing policies, there is little information available about the extent to which receipt of particular kinds of benefit constitutes a source of stigmatisation³"

Fraud

During the first years in office of the recent Conservative Government (1990-1993), there was a debate concerning the incidence of fraud in the invalidity benefit and pensions systems. The debate focused on loopholes in the relevant law and was followed by the introduction of tighter controls. Debates on fraud in social security generally have continued since then at a parliamentary level, though there is no information available about its likely extent among assistance recipients.

Adequacy

Papadopoulos (1994) argues that the rates of social assistance in Greece cannot be viewed as adequate. For instance, in 1992 the national minimum wage was 97,000 DR a month (US\$557 or £350 in purchasing power parities). The level of assistance benefit for a 68 year old, single person without social security contributions was 10,500 DR per month, or under 11 per cent of the minimum wage. Moreover, the net rent for an average one-bedroom flat in one suburb of Athens, after the deduction of housing benefit, was 19,100 DR per month. Thus, if an older person relied only upon the state benefit, he or she could not even afford to pay the rent. In addition, Kremalis *et al.* (1990, p.127), after comparing the level of social assistance benefits for older people with a calculated minimum income necessary for a modest living, concludes that 'the social assistance benefit of OGA ... is completely inadequate to cover even the elementary needs of an elderly person, and it must be readjusted accordingly'.

Policy on tackling poverty is characterised by its fragmentation and temporary character. Petmesidou (1991, p.37) noted that 'there do not exist any clearly

Mouziis, N. *Efimerotipia of Swulai*. | 2 January 1994: Fotopoulos, T., *E&E/theroipta*, 9 April 1994.

³ See, for instance, Bouzas (1993, p.400).

defined national criteria for defining the living standards below which the family or the individual is entitled to social protection or relief. The situation remains unchanged, as there are still no minimum income standards or official poverty lines.

Exclusion

Those most commonly without access to support are illegal immigrants. It is estimated that approximately 400,000 foreign nationals are working illegally (or trying to find work) in Greece. However, there is little research indicating the extent of any problem amongst the other groups. In addition, data such as the take-up rates for particular benefits are hard to find, partly because the majority of social assistance benefits are locally administered.

Publicity and knowledge about benefits

Papadopoulos (1994) suggests that there is a widespread lack of awareness about entitlements to benefit in Greece. It is rare to find official publications aiming to inform citizens. Leaflets are produced occasionally, and the few books that do exist are mainly written for students (Kremalis, 1990, 1991). There are no welfare rights organisations in Greece. No leaflets concerning benefits or other social services are produced in languages apart from Greek. However, for ethnic Greeks coming from other countries and not speaking Greek, or Greek citizens whose first language is other than Greek, some interpreting services are provided. In general, documentation concerning entitlement to benefits is rare and informal networks play a very important role in providing the necessary information.

Markopoulou (1990) investigated the provision of social services in three urban areas. She concluded that 'ethnic and historical relations among the various ethnic groups prevent the undiscriminated provision of social services and the application of social work in multi-ethnic communities' and suggested that 'this [is] the main reason that the situation regarding the treatment of all kinds of minorities in Greece is not expected to change soon'. Moreover, she concluded that 'Human rights and social work principles are often abused in the provision of social services ... in Greece'.

10.8 Recent and forthcoming changes

Apart from the amendments to the schemes mentioned above there have been no major changes in policy or provision of social assistance in recent years. The Ministry of Social Health, Social Welfare and Social Insurance is, however, currently engaged in attempting to improve provision for disabled people and other social excluded groups, and to expand emergency social assistance, through a programme called the Community Support Framework. No details are available of specific proposals at present.

10.9 Overall performance

The preceding discussion has made it clear that social assistance in Greece is very limited. The weaknesses of the system reflect the more fundamental problems of the Greek economy and its political culture. The discussion of economic trends in Greece, given at the beginning of this chapter, suggests that the political system has been unable so far to resolve fundamental distributional conflicts.

Amitsis (1994) has suggested that there are a number of key areas in which the Greek system of social assistance is inadequate. These include:

- the absence of basic social assistance cover for groups of the population in need, such as the unemployed
- S the unequal distribution of social expenditures provided for the support of people in need through the existing categorical minimum income schemes

- the lack of a statutory minimum subsistence level. related to the application of a legal poverty standard
 - the absence of stable participation by local government in the administration and operation of social welfare measures
 - the lack of codification in social welfare law, especially the absence of a social assistance code which would include all necessary rules and guidelines about general principles, eligibility conditions and administrative procedures
- ® the complexity of the administrative process and poor structures for liaison between clients and public authorities which might improve access to benefits and increase rates of take-up
- w limited attempts to integrate social assistance recipients within broader social protection schemes. such as health, housing and employment
- ® the absence of systematic indexation of assistance benefits
- ® a lack of legal aid and information or counselling services.

As noted by Petmesidou (1991, p.45). there are many measures that could bring about short-term improvements in social protection. However_ she added that:

as the crisis in Greece is closely related to contradictions and deadlocks inherent in Greek statism, the way out of the crisis is not merely a matter of ... reorganising the welfare state ... Changes in some basic characteristics of the relationship between state and civil society. which structure work relationships in the public and private sector, processes of distribution of revenue and the goals and means of social conflicts are central if a modernisation process - and a harmonization of the welfare system to the EC conditions - is to be achieved in the long run.

Chapter 11 Iceland

11.1 Background

Demography

Iceland is the smallest country in the study: in December 1993 it had a total estimated population of just over 265,000 (Hagstofa Islands, 1994). In the last decade Iceland has experienced a population *growth* of around one per cent per annum, and its population is projected to increase by 18 per cent by the year 2025 when it is expected to reach 311,397. Iceland has a relatively young population structure, and indeed it is the youngest of all the Nordic countries: in 1993 one-quarter of the population was under 15 years. 64 per cent was aged 15 to 64, and 11 per cent aged 65 or more (Nososco, 1993; Hagstofa Islands, 1994). Iceland also has the highest fertility rate (2.21 in 1993) among the Nordic countries, and the rate is higher than in any of the European Union countries. including Ireland (Eurostat, 1994a).

Family structure in Iceland is similar to that of the other Nordic countries, being characterised by relatively high rates of cohabitation and lone parenthood. In 1993, 22 per cent of all families with dependent children were headed by a cohabiting couple, and 19 per cent by lone parents. 93 per cent of whom were women (Hagstofa Islands, 1994). In contrast to many of the European Union countries, the incidence of lone parenthood in Iceland has remained quite stable over the last decade, increasing by only two per cent between 1982 and 1993. This can partly be explained by the slowing down of the increase in the divorce rate over the last decade (while the rate of divorce increased by 24 per cent over the period 1971-75 and 1981-85, the corresponding increase over the last decade has been 13 per cent), and a dramatic decline in the incidence of births outside marriage/cohabitation. In 1976, 34 per cent of all births occurred to unmarried women, and of these the majority (52 per cent) were also outside a cohabitant relationship. However, in 1993, while the majority (58 per cent) of all births occurred outside marriage, 86 per cent of these were to cohabiting couples and only 14 per cent to single women (Hagstofa Islands, 1994). The rate of births outside marriage remains by far the highest among the countries of the European Economic Area (Eurostat, 1994a).

Employment and the economy

Since 1988 Iceland has been experiencing its most prolonged recession of the post-war period. Between 1988 and 1995 there has been a rise in unemployment which is unprecedented, since Iceland has a history of near full employment even through recessions. Between April 1988 and April 1995 the unemployment rate rose from 0.5 per cent to 5.5 per cent. Young people, women, and those working in the fishing and construction industries have been disproportionately affected. Current reports predict that there will be no decrease in unemployment for at least another year (Ministry of Social Affairs, 1995b).

During the recession there has also been a contraction of GDP per capita, investment, and both public and private consumption. There was also a 6.1 per cent fall in real disposable income per capita between 1988 and 1993, and this was projected to decline further in 1994 and 1995. This fall resulted from the combination of reduced employment, falling wage rates (the hourly wage rate of workers in the Federation of Labour decreased by seven per cent in real terms between 1988 and 1993), rising prices and an increased tax burden since the

Government introduced a flat-rate system of income tax in 1987-88. On a more positive note, Iceland balanced its current account in 1993 for the first time since 1986, mainly as a result of a contraction in imports and an increase in exports (Hagstofa Islands. 1994).

Participation rates in Iceland are high by ~h U standards. In 1991 the overall participation rate was estimated as 86.0 *per cent* (OECD, 1993d), but by 1993 this had declined to 81.1 per cent (Hagstofa Islands. 1994). It appears that during the recession the proportion of men in the labour market has fallen slightly while the level of women's participation has continued to increase: the 1993 rate for women was 76.1 per cent --. one of the highest in the OECD. Despite a fall in the length of the working week, Icelanders still work for longer hours each week on average than any of the other Nordic and EU countries: in 1993, male full-time workers worked a 51.2 hour week on average and for female full-timers the figure was 43.7 hours. This pattern is a result of historically low wage rates in Iceland arising from successive governments' anti-inflationary measures (Olafsson. 1991).

Tdte political frametiark

Despite its small population Iceland has a decentralised political framework, with 165 municipal governments. As we will discuss below, decision making and administration at a local level is particularly relevant to social assistance. There is currently debate concerning the efficiency of this level of decentralisation. Local communities, however, appear to be resistant to change, partly because of the geographical isolation of many of the settlements and the perceived sense of independence and solidarity which the isolation is said to have nurtured.

In terms of the relative strength of political parties, Iceland is considered to be the exception among the Nordic countries, since the dominance of social democracy in Scandinavia has not found its equivalent here. The Social Democratic Party's share of the vote in post-war parliamentary elections has fluctuated greatly (from nine to 22 per cent), and it has experienced recurrent internal feuds and splits in its almost 80 year history. In the general election in 1991 the Social Democratic Party received 16 per cent of the vote. The other main parties to the left of centre are the Agrarian Progressive Party and the People's Alliance; respectively they gained 19 per cent and 14 per cent of the vote in the last election. There is also a Women's Alliance which first entered parliamentary elections in 1983. Support for it has varied, rising from six per cent of votes in its first election to ten per cent in the 1987 election, but falling back since then to eight per cent in 1991. While the left of Icelandic politics is fundamentally split into three parties, the right has been united within the Independence Party, the larst party in Icelandic politics. It has on average polled almost 40 per cent in the post-war period, and in 1991 gained 39 per cent of the votes. Although the Independence Party is described as being right of centre in its ideology, it is not considered to be as far to the right on the political spectrum as is typical of conservative parties in Europe. At the general election in April 1995, the Pro^{ressive} Party increased its share of the vote to 24 per cent and entered a new coalition government with the Independence Party.

11.2 The social security system

Historical development

Social protection in Iceland was first legislated for in 1890, with the introduction of a law on old age and invalidity pensions. For centuries before this date, general poor relief had been financed and administered locally. Between 1890 and 1925 a range of legislation was introduced to protect against old age, sickness and accidents. However, only certain cate^{ories} of workers were covered and the level of support is generally considered to have been inadequate (Olafsson. 1991). In 1936, comprehensive social insurance laws were enacted under the Workers' General Insurance legislation. This reformed all the existing administrative framework and legislation: accident insurance was greatly improved: sickness funds were made compulsory for about half the nation: general old age and invalidity

insurance was introduced; and the State Social Security Administration was established.

However, as with many of the other countries in this study, the establishment of the contemporary welfare state in Iceland was a post-war phenomenon. The General Social Security Act of 1946 was modelled on Scandinavian legislation and the Beveridge plan, and the principle of universality was at its core. There have been two major periods of revision to the social security system since then. The first was in 1971, when the most significant change was the introduction of income-related supplements to the flat-rate basic pension. Income testing was extended in the 1993 reforms, when the flat-rate component of the basic pension was abolished completely and replaced with a wholly income-related benefit.

Structure and administration

Social security is currently governed by three Acts: The Social Security Act 1993; The Social Assistance Act 1993; and The Local Authority Social Services Act 1991. The clearest divide within the Icelandic social security system is between insurance and non-insurance based benefits.

Insurance based benefits:

§ *Basic Old-age Pension*

Paid to persons 67 years of age or older. Since 1993 the pension has been income-tested.

Basic Invalidity Pension

Paid to people between the ages of 16 and 67, whose working capacity is reduced by at least 75 per cent. This has also been income-tested since 1993.

® *Occupational Injury Insurance*

Covers all employees. Self-employed persons are also insured unless they voluntarily choose to be exempted. Benefits are paid when an insured person is injured at work or while travelling to and from work. The insurance also covers occupational disease. Occupational Injury Insurance benefits are higher than general health and pension insurance benefits.

® *Health Insurance*

All residents of Iceland who have been domiciled in Iceland for at least six months are covered by health insurance. The insurance provides free hospital treatment. Insured persons pay a small fee for visits to family physicians and a flat fee plus 40 per cent of the cost of specialist consultations. Health insurance pays, in full or in part, for many prescription medicines. Dental services, other than orthodontics, are covered in part or in full for children under the age of 17 and pensioners receiving Income Supplement (see below). The State Social Security Institute also subsidises motor vehicles and aid apparatus for disabled people.

All the above benefits are governed by the Social Security Act 1993 and administered by the State Social Security Institute.

□ *Unemployment Benefit*

All employees, and since 1993 all qualifying self-employed persons, are entitled to Unemployment Benefit for up to 180 days during a 12-month period. Entitlement is conditional upon the worker having been in employment for at least 425 hours within the previous 12-month period, and the rate of benefit varies according to the number of hours employed during the previous 12-month period. A supplement is also available for each child under the age of 18.

Unemployment Benefit is administered by the Unemployment Fund, while the Ministry of Social Affairs has overall policy responsibility.

Non insurance-based benefits:

- *Child Pension*
Paid for all children under 18 years of age, if either parent is deceased or receives Invalidity Pension.
- * *Parental Allowance*
A six-month Parental Allowance is paid to mothers on childbirth leave. The amount paid is based on the number of hours the mother has worked in the 12 months prior to the birth of a child. The Parental Allowance can be paid to the father instead of the mother for the first month, at the mother's request and subject to the same conditions.

The above benefits are not subject to an income test.

- *Motherhood and Fatherhood Allowances*
May be paid to lone parents caring for children under 18 years of age. Payments are discontinued one year after the parent marries or registers in the National Register as cohabiting.
- *Child Education Pension*
May be paid to a young person aged 18 to 20, who is a student or in vocational training, if either or both parents are deceased or pensioners.
- *Child-care Payments*
Parents or others taking care of disabled or ill children living at home or temporarily hospitalised, may receive a grant or child-care benefit, based on the child's need for special care and expenses.
- o *Death Grant*
Persons widowed before reaching the age of 67 are entitled to a monthly grant for six months (18 months if he or she is raising one or more children under the age of 18) following the spouse's death.
- *Widow's Pension*
When entitlement to a death grant has been exhausted, a widow (men are not included in this provision) is entitled to a Widow's Pension if she was aged at least 50 years at the time of her husband's death, or if the marriage lasted 20 years or more.
- *Rehabilitation Pension*
May be paid for up to 12 months after sickness benefit has ceased, or until the degree of disability can be assessed.

The above benefits may be subject to an income test.

- ® *Supplements to the basic pensions*
Income Supplement guarantees supplementation of the Old-age and Invalidity Pensions for pensioners with little or no income other than the basic pension.

A single person who receives a full income supplement and lives alone without the financial support of others, can be entitled to a *Household Supplement*.

A *Special Household Supplement* can also be paid to single pensioners with little or no income other than the social security pension.

An *Additional Supplement* may be paid to old age and invalidity pensioners if it is clear that they cannot support themselves without it because of special circumstances or extra necessary costs.

All the non-insurance benefits listed above are administered by the Social Security institute under the Social Security Act 1993.

- *Financial Assistance*
This is the main social assistance scheme in Iceland. It is administered at a local government level and regulated by the Ministry of Social Affairs under the Local Authorities Social Services Act 1991. Financial Assistance is discussed in more detail below.

Finance and expenditure

Social security benefits in Iceland are financed largely through taxation. In 1992, 60 per cent of social security expenditure came from public authorities, of which 54 per cent was from central government and six per cent from local government. A further 32 per cent came from employers' contributions, whilst insured persons' contributions accounted for the remaining eight per cent. Social security expenditure as a proportion of GDP has increased gradually since 1972 when it stood at 10.7 per cent. By 1992 expenditure on social security represented 15.2 per cent of GDP (Hagstofa Islands, 1994).

11.3 Social assistance

Introduction

As was noted above, the main social assistance benefit in Iceland is Financial Assistance and we now focus on a discussion of this benefit. The supplements to the basic pensions which have been introduced to provide a minimum income guarantee for old-age pensioners and invalids are discussed later under the heading 'Other assistance-linked benefits'.

Legislation and public objectives

Financial Assistance is governed by Articles 19-25 of the 1991 Local Authority Social Services Act. The stated aim of the services provided for under this Act is to:

... guarantee financial and social security and to work for the welfare of the inhabitants on the basis of mutual aid.

However, in doing this

...care shall be taken to encourage each individual to be responsible for himself and others, to respect his right to self-determination, and support him in his efforts at self-help.

more particularly. Financial Assistance aims to cover the following circumstances:

- when the income of an individual or a family is insufficient to support them
- in order to prevent the situation of an individual or a family from deteriorating to such an extent that their support is placed in jeopardy
- ® by way of assistance while an individual or a family is in the process of overcoming particular difficulties, if such assistance does not come within the sphere of the duties of any other party.

Administrative and regulatory framework

Financial Assistance is administered at a local municipal level by a social services committee. Each local authority has its own regulations regarding the provision of assistance, but often only the basic provisions are regulated and many aspects of the *scheme* remain discretionary. The Ministry of Social Affairs issues national guidelines on the minimum provision each municipality should make and is also responsible for monitoring their practices in relation to Financial Assistance.

General conditions of entitlement

To qualify for Financial Assistance, individual or family income must be below a specified minimum. It is only granted as a last resort: all other channels of support,

both financial and non-financial. must have been exhausted. Assistance may also only be granted in conjunction with 'social counselling' in the field of financial management, or in whatever area is believed to have caused the need (such as alcoholism or drug addiction). Local authorities are encouraged to provide professional counselling, which may be undertaken by social workers.

The minimum age at which an individual can claim Financial Assistance independently is 16 years.

Residence and nationality

Entitlement to Financial Assistance in any particular local government area is conditional on being a legal resident of that area. No formal nationality conditions therefore exist, but the ability to claim rests on the legal right of residence.

There are no formal regulations governing the entitlement of refugees and asylum seekers to Financial Assistance. In general, however, they are entitled if they are legally resident in Iceland. In cases where they do not have legal residence or have been in Iceland for less than two years, local governments have the discretionary power to grant assistance, the costs of which are refunded by the State Treasury. The exclusion of refugees and asylum seekers from formal regulations means that few local governments have recognised the need or taken on the responsibility to provide information on Financial Assistance in other languages. Non-governmental organisations, and the Red Cross in particular, have traditionally filled this gap.

Iceland has reciprocal agreements with the other Nordic countries. Icelanders can receive social assistance in any other Nordic country and can also apply for moving costs through social assistance when moving from one Nordic country to another. This right, however, is subject to scrutiny of the claimant's income status by the receiving country.

Since payment of Financial Assistance is conditional on legal residency in a local government area, it is not portable.

Duration of benefit entitlement

There are no time limits on the duration of entitlement to Financial Assistance.

Availability for work and labour market policy

Since the majority of assistance recipients need the benefit as a supplement to their other income, people are allowed to work for any number of hours, but their earnings are taken fully into account in the means test, along with any unemployment benefit or other social security benefits received.

The Local Authorities Social Services Act, and the formal guidelines associated with the Act which are issued by the Ministry of Social Affairs, do not require or advise recipients of Financial Assistance to be available for work. The regulations laid down by local authorities, however, vary in this respect. In some areas, such as Reykjavik, recipients must produce proof that they are actively seeking work. This normally takes the form of a stamp from the local Unemployment Office where job vacancies are officially advertised. In the context of rising unemployment and an increased burden on municipal resources, some local authorities have introduced stricter practices. In some areas, for example, social services committees have formalised their links with local Unemployment Offices in order to encourage their staff to be more proactive in helping recipients to find employment. Financial Assistance may be withdrawn if a recipient refuses to accept a job. More generally, the social counselling which often accompanies receipt of Financial Assistance may include advice on employment and job seeking. In most areas it is the young unemployed who are the main targets of these practices.

Given that widespread unemployment is a new phenomenon in Iceland, training schemes and other labour market programmes are under-developed and there are, as yet, no compulsory schemes for recipients of Financial Assistance. In 1992 the Vocational Training Act was passed, which established a Vocational Training Fund to allow for the establishment of projects and the provision of grants to participating individuals, but few projects are currently up and running. In conjunction with this, unemployed persons now have the option of undergoing vocational training^s instead of losing Unemployment Benefit for 16 weeks following 260 days of drawing benefit. The self-employed are also eligible, since in 1992 they were given the right to claim Unemployment Benefit. Thus, unemployed persons who may have previously claimed Financial Assistance (during the period in which Unemployment Benefit was withdrawn can now voluntarily enter training, to the extent it is available. No other categories of recipients are eligible, so this opportunity does not apply to young people who have never been employed, or whose past employment record is insufficient for receipt of the insurance-based Unemployment Benefit. Only in a few local authorities, most notably Reykjavik, have voluntary training schemes been developed for other categories of Financial Assistance recipients.

The benefit unit

Under Financial Assistance, the unit of entitlement is the individual or the family. The family is defined as a legally married couple plus *any* dependent children (under 16 years). This is different from many of the benefits available under the Social Security Act and the Social Assistance Act. Under the latter two Acts a cohabiting couple is treated as a benefit unit, as are a lone mother and her partner if they are cohabiting. Under Financial Assistance, however, a cohabiting couple are treated as separate individuals, since it is the principle of legal marriage which partly defines the benefit unit. Local governments are currently pressurising the Ministry of Social Affairs to review this anomaly, which is even more acute since Icelandic law requires the formal registration of a cohabiting relationship.

Another difference relates to the age at which children have been considered to be independent. Universal Child Benefit is available until a child reaches the age of 18, and many of the other benefits available under the Social Security Act and the Social Assistance Act define dependent children in this way. Within Financial Assistance, however, children have been considered to be independent of their family once they reach the age of 16, and notionally they are treated as a separate benefit unit, even if remaining in the parental home. In law, children become independent/autonomous at the age of 16, though the right to manage their own money or property does not come until the age of 18. Recently, local authorities *have* tended to treat all individuals under the age of 18 as part of the family when they or their parents apply for Financial Assistance. In Reykjavik, for example, all young people under 18 are regarded as part of the family. Thus Financial Assistance is coming into line with other benefits. Natural, step, foster, and adopted children are included in the benefit unit. Grandchildren may or may not be included depending on the reason for their presence.

Either of the married partners can claim Financial Assistance for the family, although in practice women apply for assistance more often than men.

Income and assets tests

Entitlement to Financial Assistance is assessed by calculating the difference between the cost of an individual's or family's maintenance and the income available to the individual or family. The Ministry of Social Affairs recommends that municipalities pay at least the difference between the available funds and the basic financial need. The elements included in calculating the basic financial need are food, clothing and minimum rent. Other costs incurred by an individual or family may be taken into account: for example, rent higher than the specified minimum or significant day-care costs for children. The extra costs component is known as the 'assessment of support'.

The following are always treated as income for assessment purposes: the wages of an applicant and his or her spouse, less state and municipal taxes; any benefits from the Social Security Institute, except child-care payments which are awarded to parents or others taking care of disabled or ill children living at home or temporarily hospitalised; child support payments; Unemployment Benefit; Child Benefit and Supplementary Child Benefit; refunds of overpaid taxes; pension payments; investment income. There are no disregards on income from *these* sources.

Local authorities may or may not treat the following as income: the income of a dependent child; training allowances; income from sub-tenants and lodgers; and payments from charities. If any of these elements are included, it is normally the case that their full value is taken into account. The value of an owner-occupied house is exempt from assessment, as are gifts, whether financial or non-financial.

There is a 100 per cent withdrawal rate for assessable income earned above the Financial Assistance level.

Benefit levels

The Ministry of Social Affairs recommends a national minimum rate for Financial Assistance, but the actual rate of benefit set is at the discretion of local governments. The minimum rate recommended by the Ministry of Social Affairs is set in relation to the amount which a disabled person living alone would receive from the State Social Security Institute. The recommended rate of Financial Assistance increases as family size increases. The benefits administered by the State Social Security Institute are linked to the wage index, and are uprated within six months of an increase in ordinary labour wages. The Ministry of Social Affairs adjusts its recommended minimum rate for Financial Assistance in relation to any changes in the rate of benefit paid to its reference case by the Social Security Institute. In practice, however, wage rates have not increased over the last number of years, so the recommended minimum rate for Financial Assistance has remained the same since 1991.

Table 11.1 shows the minimum rate which was recommended by the Ministry of Social Affairs for the period 1991-1993. The recommended rate for an individual was ISK 43,360 per month (equivalent to approximately US\$511 or £322 in 1993 purchasing power parities). The rate increases for each additional dependent person in the family, but there is no distinction made between a dependent spouse and a dependent *child* in the rate of increase. However, the increase is larger in respect of the first and second additional persons than for subsequent additional persons. There is no variation in the recommended rate for different categories of claimants, for example a lone parent family, or an older person.

Table 11.1: Recommended minimum monthly rates for Financial Assistance 1991-1993, in Icelandic Krona, with US Dollar and Sterling purchasing power equivalents

| Size of household | Recommended minimum monthly rate of Financial Assistance, 1991--1993 | | |
|----------------------------------|---|-------|-----|
| | ISK | \$ | £ |
| Individual | 43,360 | 511 | 322 |
| Individual + 1 dependent person | 56,368 | 665 | 418 |
| Individual + 2 dependent persons | 69,376 | 818 | 514 |
| Individual + 3 dependent persons | 78,048 | 920 | 578 |
| Individual + 4 dependent persons | 86,720 | 1,023 | 642 |
| Individual + 5 dependent persons | 95,392 | 1,125 | 707 |

Source: Ministry of Social Affairs, 1995a

While local authorities have the discretion to fix their own rate of Financial Assistance, basic levels of payment do not vary significantly across local government areas. There is more variation in the 'assessment of support' component of Financial Assistance where local authorities can pay a higher rate

because rent is above specified a minimum, or because day-care costs for children are significantly high.

Other assistance-linked benefits

As was noted in section 11.2, the State Social Security Institute administers a number of income-tested supplements to the basic old-age and invalidity pensions. Income Supplement and Additional Supplement are designed to provide basic pension recipients with a minimum income, while the Household and Special Household Supplements are available to low-income pensioners who live alone. These supplements, particularly Income Supplement and Additional Supplement, which are paid at a higher rate than the basic pension, represent substantial additions to the pension. In 1994 the maximum monthly rate of the basic pension (both old-age and invalidity) was ISK 12,329, while the maximum supplement rates were ISK 22.684 per month for Income Supplement to old-age pensioners and ISK 23.340 to invalidity pensioners, ISK 17.261 per month for Additional Supplement, ISK 7,711 for Household Supplement and ISK 5,304 for Special Household Supplement. Basic pension recipients must have attempted to claim these supplements before they are eligible to claim Financial Assistance, and any supplements received are treated as income in the assessment of entitlement to Financial Assistance.

One-off or urgent payments

It is at the discretion of local governments to grant assistance in the case of an emergency, such as the loss of a home or possessions following a natural disaster, or in the case of special one-off requirements, funeral or removal costs. This assistance is normally restricted to recipients of Financial Assistance and any payments awarded must be met out of the general budget for Financial Assistance. Payments can be made in the form of grants or loans, though loans are not common since it is considered that assistance recipients are unlikely to be able to repay them. at least in the short term.

Fringe benefits and concessions

Local authorities are required to provide a range of social services in their area, such as home helps, day-care centres for children and subsidised municipal housing. Recipients of Financial Assistance are eligible to receive these, although status as a Financial Assistance recipient alone does not guarantee entitlement.

Health and dental care services, including prescription charges, are provided free of charge for children under 18, and until 1993 these services were heavily subsidised by the state for adults too. Since 1993, the cost of health care and dental services for adults have increased dramatically, but income-related relief for these costs is provided through the Social Security Institute. Local authorities can also provide further relief to recipients of Financial Assistance at their discretion. The Icelandic education system is free of charge.

Administration and the claiming process

Applications for Financial Assistance must be made in person at the welfare office, and applicants are required to provide proof of residency and income in the form of tax returns and bank statements. Entitlement is usually assessed by social workers, though in small communities there may be no social workers employed.

Financial Assistance is normally paid monthly by cheque or directly into the bank account of the individual. Under special circumstances, payments may be made weekly and in cash.

The requirements to renew claims vary between local governments and between cases in each area. In Reykjavik, for example, long-term recipients of Financial Assistance are expected to make a fresh claim every three months, but in other areas claims are reassessed each month, shortly before the next payment is due.

Recipients are required to report changes in relevant circumstances, such as in their income, residence, marital status and children living in the family. Social workers can also check the circumstances of recipients through the home visiting service, although in practice this is rarely used.

The procedure used in dealing with a claim for Financial Assistance, the right to assistance, and the amount awarded are all open to administrative appeal. The Social Services Appeals Committee is the sole site of appeal, and it consists of three persons: a qualified lawyer appointed by the supreme court; an appointee of the Ministry of Social Affairs; and an appointee of the Union of Local Authorities. An appeal regarding the amount of assistance awarded can only take place in the context of the regulations on such matters laid down by the particular local government. Even though many local authorities do not fully regulate all the elements of Financial Assistance, there is always a possibility for appeal. Where there are no regulations, the Ministry guidelines are used as the basis for the appeal. Local authorities are obliged to submit their regulations on Financial Assistance to the Ministry of Social Affairs for review.

The Ministry issues comprehensive guidelines on the detection of fraud, and most local governments include procedures for fraud detection within their regulations. As was noted above, claimants are required to provide the relevant documents with which to verify their income, but all information concerning individuals has to be gathered with the consent of the client and must be treated as confidential. Employers are also obliged to provide social services committees with information on the wages of persons seeking Financial Assistance. Social services committees also have access to the computerised systems of the National Insurance Office and the Social Security Institute, through which claimants' receipt of other benefits can be checked. The onus is on the social services committee to prove fraud and benefit cannot be denied on the basis of suspicion alone.

Financial Assistance which has been provided on the basis of false or misleading information by the claimant is recoverable. There are no formal regulations specifying who in addition to the recipient might be liable for the recovery of these payments, and in most cases liability is confined to the recipient. Nor are there regulations governing the procedure for recovery of payments: this is left to the discretion of the social worker responsible for the case. In cases where the local authority is responsible for overpayment, it is normally not recoverable, but again there are no regulations and a legal precedent has never been set.

The role of non-governmental organisations in social assistance

Non-governmental organisations have traditionally played only a minor role in the provision of social assistance in Iceland. Owing to the recession, however, their role is growing, but this is mainly restricted to organisations such as the Salvation Army and the Red Cross. Only in Reykjavik do these activities receive public financial support: the city government there funds a soup kitchen for the homeless, which is administered by one of the churches.

11.4 Housing assistance

In general, housing policy in Iceland favours home-ownership as opposed to renting. A means-tested loan to buy social housing is available through the State Housing Board. The maximum loan is worth 90 per cent of the cost of the house, and the size of loan awarded and the interest rate for repayment depends on income, the number of children, and marital or family status -- lone parents, for example, receive special help. There is a minimum income level for the award of a home-purchase loan, below which it cannot be granted.

Financial Assistance includes a component for rent and until January 1995 there was no separate cash housing assistance. Local authorities are, however, required to ensure a supply of housing, both rented, shared-ownership and owner-occupied, for families and individuals who are not otherwise able to secure their own

accommodation because of low wages, major care responsibilities or other social disadvantages. The level of this provision is at the discretion of the local authority.

Since January 1995, municipalities have been permitted to provide a cash benefit as part of their general housing assistance. The cost of this provision will be partly funded by the state (40 per cent) and the remaining finance will come from local government. As yet there is no information on how many local authorities have *introduced* this benefit, or on how it works in practice.

11.5 Trends in expenditure on social assistance

Unlike other social security benefits, Financial Assistance is funded entirely from taxation. Municipalities fund the bulk of social assistance expenditure out of local taxes, but there is also a contribution from central government. Municipalities receive full reimbursement from the central government for any assistance they grant to refugees and asylum seekers during their first two years in the country. There is also a municipal equalisation fund in place, which was originally established to balance the expenditure of local authorities on social assistance, but has since been extended to include other forms of assistance provided by municipalities.

Table 11.2 shows municipal expenditure on social assistance from 1989 to 1992 (data for later years are not available). Over this period social assistance expenditure increased by 19 per cent from ISK 740 million in 1989 to ISK 878 million in 1992, reflecting the increased number of recipients (see below). In relation to the increase in social security expenditure as a whole, which was 32 per cent over the same period, this is not a significant increase. Indeed, expenditure on social assistance as a proportion of total social security expenditure has remained fairly static and would appear to be beginning to decrease. In 1991 social assistance expenditure accounted for only around 0.2 per cent of GDP.

While expenditure on Financial Assistance has also increased during this period, from ISK 475 million in 1989 to ISK 508 million in 1992 (an increase of seven per cent), its role in relation to both total municipal social assistance expenditure and total social security expenditure has declined. In 1989, while expenditure on Financial Assistance represented 64 per cent of all municipal social assistance expenditure, by 1992 this had fallen to 58 per cent. Likewise, as a proportion of all expenditure on social security, expenditure on Financial Assistance fell from 0.9 per cent in 1989 to 0.7 per cent in 1992.

Table 11.2: Social security and social assistance expenditure 1989--1992, annual prices

| Expenditure, million ISK and St | 1989 | 1990 | 1991 | 1992 |
|--|--------|--------|--------|--------|
| Total social security expenditure | 54,990 | 62,290 | 69,255 | 72,367 |
| Of which ... | | | | |
| Social assistance expenditure | 740 | 858 | 928 | 878 |
| Of which ... | | | | |
| Financial Assistance expenditure - municipal | 475 | 529 | 530 | 508 |
| Other assistance | 265 | 329 | 398 | 370 |
| Social assistance as a % of all social security expenditure | 1.3 | 1.4 | 1.3 | 1.2 |
| Financial Assistance as a % of all social assistance expenditure | 64 | 62 | 57 | 58 |
| Financial Assistance as a % of all social security expenditure | 0.9 | 0.8 | 0.8 | 0.7 |

Includes insurance benefits, categorical non-contributory benefits, health care and social assistance

Source: 1-iagstofa Islands, 1994

The role of municipal social assistance within the Icelandic social security system appears to be a residual one when set against overall expenditure, and it has remained so even in the context of the deepest recession in Icelandic post-war history. This suggests that the main role in income maintenance is being played by other elements of the social security system. This is particularly the case for older

and disabled people. As was discussed above, a range of income-related supplements have been added to the basic old-age and invalidity pensions. While data on expenditure on the old-age and invalidity pension are not broken down into the basic and supplement components, data on the number of recipients are. Table 11.3 shows that there has been a substantial increase in payments of supplements to the basic pensions. This is likely to have reduced the number of old-age and invalidity pensioners eligible for Financial Assistance since income from the supplements is taken fully into account when assessing entitlement to assistance. Indeed, as Table 11.5 shows, the number of older people in receipt of social assistance has decreased relative to other groups.

Table 11.3: Number of persons receiving basic pensions and supplements. 1989-1992

| Number of recipients | 1989 | 1990 | 1991 | 1992 |
|-------------------------------------|--------|--------|--------|--------|
| Basic pension | | | | |
| Old-age | 21,987 | 22,462 | 23,032 | 21,934 |
| Invalidity | 4,358 | 4,660 | 5,170 | 5,450 |
| Income Supplement | | | | |
| Old-age | 16,106 | 16,618 | 17,080 | 17,783 |
| Invalidity | 3,835 | 4,049 | 4,333 | 4,676 |
| Additional pension supplement | | | | |
| Old-age | 7,338 | 7,555 | 8,372 | 8,485 |
| Invalidity | 2,339 | 2,418 | 2,633 | 2,827 |
| Household supplement | | | | |
| Old-age | 5,700 | 6,055 | 6,410 | 6,697 |
| Invalidity ^o | 1,112 | 1,251 | 1,386 | 1,516 |
| Additional household supplement | | | | |
| Old-age | 1,198 | 1,932 | 2,704 | 2,797 |
| Invalidity | 490 | 610 | 700 | 736 |
| Total supplements paid ^l | | | | |
| Old-age | 30,342 | 32,160 | 34,566 | 35,762 |
| Invalidity | 7,776 | 8,328 | 9,052 | 9,755 |

Individual households may receive more than one supplement, so total supplements paid does not equal total number of individual recipients

Source: Haagstofa Islands. 1994

A low rate of take-up might also account for the marginal role of municipal social assistance in the overall social security system. There is no data available on rates of take-up in relation to social assistance in Iceland, but historically there has been some stigma associated with its receipt. This is discussed in more detail below.

11.6 Trends in receipt of social assistance

Table 11.4 shows that the number of households receiving municipal social assistance has increased from 3,666 in 1989 to 3,841 in 1992, an increase of five per cent. This is not a significant rise in the light of the difficult economic conditions prevailing in Iceland since 1988. There has been relatively little change in the composition of social assistance recipients in terms of household type. Single (childless) male households and lone mother households represented the two largest categories of recipients in 1989, and this remained the case in 1992. While single (childless) female households constituted 21 per cent of all recipients in 1989, this figure had decreased to 17 per cent by 1992. There was a slight increase in the proportion of married and cohabiting couples and the increase was greater for those with children.

Table 11.4: Households receiving social assistance from municipalities by type of household. 1989-1992

| of all households in receipt | 1989 | 1990 | 1991 | 1992 |
|--|-------|-------|-------|-------|
| Single males (childless) | 33 | 28 | 33 | 34 |
| Single females (childless) | 21 | 18 | 18 | 17 |
| Lone fathers | 2 | 3 | 2 | 2 |
| Lone mothers | 30 | 32 | 30 | 33 |
| Married cohabiting couples (childless) | 4 | 5 | 7 | 6 |
| Married/cohabiting couples (with children) | 11 | 14 | 11 | 13 |
| Total number of households | 3,666 | 3,892 | 3,667 | 3,841 |

Note: columns may not add up to 100 because of rounding

Source: Hagstofa Islands, 1994

Table 11.5 shows recipients of municipal social assistance by age of the household head. In 1992 those households headed by persons aged 25 to 39 formed the single largest group of recipients. This was also the case in 1989, but their share of the overall recipient population increased in relation to the other *age* groups. This may reflect the growth in unemployment. Households headed by the middle-aged (40--54 years) and elderly (65 years and over) represented the smallest groups of social assistance recipients. In 1992 these households represented a smaller proportion of all households receiving social assistance than was the case in 1989. This applies particularly to persons aged 65 or over for the reasons discussed above. Almost one-fifth of households receiving social assistance were headed by persons in the age group 24 and under. The numbers in this group also increased, but the percentage remained fairly constant over the period 1989 -1992.

Table 11.3: Households in receipt of social assistance by age of household head. 1989-1992

| Age | 1989 | 1990 | 1991 | 1992 |
|----------------------------|-------|-------|-------|-------|
| 24 years and under | 18 | 18 | 17 | 18 |
| 25..39 yens | 42 | 44 | 44 | 48 |
| 40-54 years | 20 | 20 | 21 | 20 |
| 55-64 years | 8 | 8 | 8 | 6 |
| 65 years and over | 12 | 10 | 11 | 8 |
| Total number of households | 3,666 | 3,892 | 3,667 | 3,841 |

Source: Hagstofa Islands, 1994

11.7 Policy issues

The residual role of social assistance within the Icelandic social security system is reflected in the lack of public debate on the subject. Debate has tended to focus on the reasons why people claim social assistance, rather than on the scheme itself. Thus, the low and decreasing wage rates, the rising rate of unemployment and the level of social security benefits are seen as major problems, and have been the most controversial issues. The strong work ethic which is perceived to exist in Iceland, and the stigma which has surrounded social assistance, means that there is a general rejection of the notion that social assistance should be used to deal with these problems. This was seen clearly in 1983 when the Government withdrew a proposal to introduce food stamps because of negative reaction from the public. While recipients and academic commentators do not consider the level of benefit available under Financial Assistance to be adequate to permit full participation in society, there is little broad support for an increase in benefit levels. Rather, there is greater public pressure on government and unions to reform pay policies and to reduce the level of unemployment.

Since February 1995, however, debate has begun to focus more directly on Financial Assistance, although to date this has been restricted to the Reykjavik scheme. In Reykjavik, a new Director of Social Services has made proposals to reduce the level of discretion associated with Financial Assistance and to introduce a clearer right to entitlement. This proposal was in response to concerns about the

administrative costs of Financial Assistance and the heavy workload of social workers.

11.8 Recent and forthcoming changes

With the exception of the introduction of a separate housing benefit in January 1995, there have been no recent changes to the municipal social assistance scheme. Reforms have taken place *largely* within the state social security scheme. The 1993 Social Security and Social Assistance Acts introduced a much larger element of income testing into the benefits administered by the Social Security Institute. These changes do not appear to have had the aim of targeting benefits at those believed to be in most need, but of reducing access to benefits by the better-off. Thus, older and disabled people have received compensation for the introduction of a means-test on the basic pension through the various supplements. Future reforms of Financial Assistance will follow from the proposals made by the Director of Social Services in Reykjavik concerning the shift to a more rights-based scheme. These proposals have recently been accepted and there will be a trial period *running* from May 1995-May 1997. The Local Authorities Social Services Act will be reviewed during 1996.

11.9 Overall performance

For some, the major strength of the Icelandic social assistance scheme lies in the nature of its administration. A large proportion of Iceland's population is located *in* Reykjavik, but there are many *other* communities with distinct economies and social conditions. Since it is feared that a centralised system would not be able to take account of these differences, particularly if it were to be administered from the capital, the decentralisation of the administration of social assistance is seen as allowing the flexibility necessary to meet local need. At the same time, the Municipal Equalisation Fund ensures a balance between needs and resources.

For others, however, local administration of social assistance is considered to have its drawbacks, and indeed is believed to be the primary weakness of the scheme. The lack of formalised regulations and procedures are considered to limit individuals' awareness of the scheme and their possible entitlements, leading to problems with take-up and appeal. Many local authorities do not keep systematic records of their social assistance schemes' administration, though several produce annual reports, among them Reykjavik and other towns in the vicinity of the capital.

Chapter 12 Ireland

12.1 Background

Demography

The Republic of Ireland is the smallest country in the European Union after Luxembourg, with an estimated population of 3.6 million in 1994. Like many European countries, Ireland's population growth rate, has been slow in the last few years, growing by just 0.3 per cent in the years 1982--1992. The Irish birth rate is 14.7 per 1,000 population which, although small, more than compensates for the 8.9 per 1,000 death rate. Unlike in other European countries. The overall fertility rate was 2.03 in 1992, higher than any other European Union country (Eurostat, 1994a). The Republic of Ireland is also unusual in having the majority of its population between the ages of 15 and 64: 26.7 per cent of the population were under 15 in 1991 and just 11.5 per cent were over 64. As the rest of Europe struggles to cope with an increasingly aged population, the Republic of Ireland should come off reasonably lightly.

In recent years Ireland has been witnessing considerable negative migration. Some sources (for example, OECD, 1993f) list this as one of the main causes of Ireland's unemployment problems.

An estimated 18 per cent of births were outside marriage in 1992 - only a little below the European average, and in 1990 just under 11 per cent of families with children under 15 were headed by a lone parent (Eurostat, 1994b). This figure is in the lower range for the ECU countries.

Employment and the economy

The Irish economy has fared reasonably well in the international recession of the last few years, especially when compared to its main trading partners, Britain, the ECU and the United States. As trade increased by 15.7 per cent the Irish economy was virtually alone in importing almost 10 per cent less than was exported. The inflation rate has been under tight control since the mid-1980s and is currently stable at three per cent. Between 1987 and 1990 the Irish economy has also managed to obtain a rapid growth rate which is now set to stabilise at about 2.5 per cent (OECD, 1993f).

The Irish tax system has changed considerably in the last few years (see table below). with the large number of tax reliefs providing greater benefit to those on higher incomes and substantially reducing the progressive nature of the system. A lack of co-ordination between the tax and social welfare systems has led to increased marginal tax rates acting as a disincentive to enter the labour market or to improve job positions.

Table 12.1: Changes in the Irish tax system

| Tax rates | 1980 | 1988 | 1990 | 1994 |
|--------------------------------------|------|------|------|------|
| Top rate of income tax | 60 | 58 | 53 | 48 |
| Lower rate of income tax | 25 | 35 | 30 | 27 |
| Corporate tax rate (full rate) | 45 | 47 | 43 | 40 |
| Consumption tax rate (standard rate) | 25 | 25 | 23 | 21 |

Sources: OECD, 1993f; Department of Social Welfare, 1995

Labour force participation rates in 1991 were close to the EU average for men at 70.9 per cent, although lower for women at 32.9 per cent (OECD, 1993f). The economic activity rate on the other hand (defined as the labour force as a proportion of the working population of working age) fell from 65.7 per cent in 1970 to just 60.8 per cent in 1990 (OECD, 1993).

The main problem in the Irish economy remains unemployment increasingly one of an accelerating level of long-term unemployment. The standardised unemployment rate was 15.8 per cent in 1993, well above the OECD average of 7.8 per cent and even the EU rate of 10.6 per cent (OECD, 1994a). Twenty-eight per cent of the unemployed were under 25 years in 1993 (Eurostat, 1994c). Perhaps of even more serious concern is the level of long-term unemployment, which increased from 36.9 per cent of unemployment in 1983 to 60.2 per cent in 1993 (OECD, 1994a). There is also a noticeable difference between the number of men and the number of women out of work (20.1 per cent of women compared to 17.4 per cent of men in 1993). Whatever the causes of this unusually high level of unemployment, hunting for successful solutions is likely to remain the biggest challenge to policy makers in the years to come.

The political framework

The Irish electoral system uses the single transferable vote form of proportional representation and the general elections take place approximately every four years. There are three main political parties, Fianna Fail, Fine Gael and Taoiseach. Following the 1992 elections the Fianna Fail and Labour parties joined together to form a Partnership Government. The priority of the new government was to put the country back to work after years of consistently high unemployment and to combat the international recession in order to at least maintain existing employment levels. Both governments have regarded the situation in Northern Ireland and the prospect of dialogue as a key policy area, with the attainment of a united Ireland, working within the realms of the Anglo-Irish agreement until a broader agreement can be reached, being the overall policy aim. In December 1994, the Partnership Government was replaced by a coalition Government of Renewal comprising the Fine Gael, Labour and Democratic Left parties. The political situation in the Republic of Ireland is stable and the electoral system has a good deal of public support.

12.2 The social security system

The origins of the Irish social security system lie in the 19th century union with Britain, out of which have developed three main strands: social insurance, universal benefits and social assistance.

Social insurance

Until 1974 contributions were flat-rate, but they were succeeded by Pay-Related Social Insurance (PRSI) contributions. In 1994/95 employees' contributions were set at 5.5 per cent of earnings, up to a ceiling of £1820.900 (approximately US\$36,000 or £20,300 in 1993 purchasing power parities). The rate of employers' contribution is 12.2 per cent in respect of employees' earnings over £173 (around US\$298 or £168) per week, with a ceiling of £25,800, and nine per cent in respect of employees earnings £173 or under.

Qualifying conditions under social insurance vary from scheme to scheme. For example, in order to achieve a maximum Retirement Pension, a person must:

- (a) have commenced paying contributions before age 56 or 57, depending on the date of birth
- (b) have paid at least 156 contributions, and
- (c) have a yearly average of 48 contributions paid or credited in either:
 - the period since 1979 or

the period since entering social insurance. or
the period since 1953.

For Unemployment Benefit and Disability Benefit, the claimant must have contributed at least 39 weeks PRSI in the relevant tax year. The various classes of contribution need to be distinguished. (See *Guide to Social Welfare Services* and *Social Welfare Rates of Payment*, both published by the Department of Social Welfare.) Benefits are not all available indefinitely. Unemployment Benefit, for example, is only payable for a maximum of 15 months.

Universal benefits

The most significant example is Child Benefit (formerly Children's Allowances). This is a universal, non-taxable payment for all dependent children. In 1993 it was increased to £1R20 per month for each *child*, and it was further increased in 1994 to £1825 for the third and subsequent children.

All social security benefits are ultimately the responsibility of the Department of Social Welfare (established in 1947). The Revenue Commissioners collect the PRSI contributions from both employers and employees. In 1991, just over 60 per cent of funds for insurance benefits came from employers' contributions and 26 per cent from those of employees (Table 12.2). Social security as a whole was funded predominantly from general taxation, with employers' and employees' contributions making up a little over two-fifths (Table 12.3).

Table 12.2: Sources of income for social insurance fund 1967-1991

| | 1967168 % _r | 1980 % ₄ | 1985 % ₅ | 1991 % _r |
|------------------|---------------------------|------------------------|------------------------|------------------------|
| Employer | 30.5 | 53.2 | 48.0 | 60.1 |
| Employee | 29.1 | 22.1 | ² 3.0 | 26.2 |
| Selfemployed | - | | | 3.9 |
| State | 38.1 | 24.5 | 28.8 | 9.6 |
| Other recipients | 2.3 | 0.2 | 0.2 | 0.2 |
| Total | 100 | 100 | 100 | 100 |
| (TIR total) | 34.8m | 501m | 1.229.2m | 1.516.2m |

Source: Curry 1993.. p.31

Table 12.3: Sources of income for all expenditure on social welfare 1967 - 1991

| | 1967168 \$ | 1980 \$ | 1985 \$ _{>} | 1991 % _l |
|------------------|---------------|------------|----------------------------|------------------------|
| Employer | 18.4 | 31.8 | 26.2 | 29.5 |
| Employee | 14.5 | 12.4 | 12.6 | 12.8 |
| Self-employed | | | | 1.9 |
| State | 65.3 | 55.4 | 61.1) | 55.7 |
| Other recipients | 1.8 | 0.4 | 0.2 | 0.1 |
| Total | 100 | 100 | 100 | 100 |
| (UR Total) | 67.6m | 872.6m | 2,247,3 | 3,092.5m |

Source: Curry 1993, p.31

12.3 Social assistance

Introduction

The definition of social assistance used in Ireland is a wide one, but consistent with special non-contributory benefits for the purposes of Regulation (EEC) No. 148/71 on the application of social security schemes to employed persons, self-employed persons and to members of their families moving within the European Economic Area. Social assistance is an integral part of the social welfare system of the Republic of Ireland. In 1992, almost 13 per cent of the population were receiving a main social assistance payment compared to the 11.5 per cent in receipt of social insurance benefits. Assistance is not, however, provided through one generalised minimum income benefit, but through 12 separate categorical schemes.

These schemes are as follows:

- Unemployment Assistance
- ® Pre-Retirement Allowance
- ® Old Age Non-Contributory Pension
- Blind Person's Pension
- Widows Non-Contributory Pension
- S Deserted Wife's Allowance
- is Prisoners Wife's Allowance
- Orphan's Non-Contributory Pension
- S Carer's Allowance
- Lone Parent's Allowance
- Supplementary Welfare Allowance
- Disabled Person's Maintenance Allowance.

As well as the schemes listed above, there is a benefit for lower-income families, called Family Income Supplement. This is described in a later section of this chapter.

Legislation and policy uhf retirees

The entire social welfare system is governed by the Social Welfare (Consolidation) Act (1993) and Regulations made under the Act. There are no specific objectives for social assistance laid down in this legislation. The 1993 *Programme for a Partnership Government* and the 1994 national agreement between the social partners (the programme for competitiveness and work) outlined the government's objectives for social assistance. Some of the most important of these are as follows:

- ® to maintain at least the real value of a payment
- to improve the integration of the taxation and social welfare systems
- to implement work incentive measures, particularly for lone parent families
- ® to reform the child income support system, placing emphasis on Child Benefit
- ® to improve customer service and simplify systems
- to provide training and work-related opportunities for the unemployed.

Changes in social assistance have tended to be incremental rather than substantial. The framework for the development of the social welfare system is set out in the 1986 Report of the Commission on Social Welfare. The Government has been implementing the Commission's report gradually, as resources permit. Among the key recommendations concerning social assistance are:

Increases in rates: All weekly social welfare rates are now at least 90 per cent of the Commission's recommended rates. The Government has indicated that further progress towards these rates is an important objective, having regard to capacity of the economy to support the increase in expenditure involved.

Streamlining of rates: The number of different rates has been reduced. For example, in 1987 there were 36 different rates of Child Dependant Allowances while there are now only three.

Employment measures: More recently, the wider availability of training and work incentive mechanisms have become an important aspect of many schemes. From July 1994, the earnings disregards for recipients of Lone Parent's Allowance were

increased to £30 per week, with a reduced rate of withdrawal of 50 per cent on earnings above this level. In addition, the spouses of Carer's Allowance recipients are now able to earn up to £1100 per week without affecting the recipient's payment.

Administrative and regulatory framework

Parliamentary legislation and national regulations apply to all of the social assistance schemes, although officers have a limited degree of discretionary power within the national guidelines for each scheme.

Policy and regulations for the first ten assistance schemes listed above are the responsibility of a central government Ministry, the Department of Social Welfare. Unemployment Assistance is administered by a network of district offices, while the other schemes are administered centrally by the Department. Policy and regulations for Supplementary Welfare Allowance are the responsibility of the Department of Social Welfare. Administration is carried out by eight regional Health Boards, through locally-based Community Welfare Officers. Policy and regulations on the Disabled Person's Maintenance Allowances are the responsibility of another government Ministry, the Department of Health. Administration is again carried out by the eight regional Health Boards. However, in July 1995, administrative responsibility for Disabled Person's Maintenance Allowance will be transferred to the Department of Social Welfare.

General conditions of eligibility

All social assistance payments are means-tested. Capital is assessed at a notional rate while earnings are assessed at different levels for various schemes. To qualify for the various schemes recipients must satisfy a means test and the individual criteria listed below:

- *Unemployment Assistance:* must be unemployed for at least three days per week, be capable of and actively seeking work, and be aged 18 years or over.
- *Pre-Retirement Pension:* must have been in receipt of Unemployment Assistance for a continuous period of at least 15 months, not be in insurable employment (defined as having earnings above £125 per week), and be aged 55 years or over.
- *Old Age Non-Contributory Pension:* must be aged 66 years or over.
- *Blind Person's Pension:* must be blind and aged 18 years or over.
Widow's Non-Contributory Pension: must be widowed and not re-married or living with a man as husband and wife.
- *Deserted Wife's Allowance:* must have been deserted by her husband and aged 40 years or over.
- *Prisoner's Wife's Allowance:* the husband must be committed to prison or in custody for not less than six months and the woman must be aged 40 years or over.
- *Orphan's Non-contributory Allowance:* must be orphaned and aged under 18 years (or under 21 if in full-time education).
- *Carer's Allowance:* must be a full-time carer of a pensioner or disabled person, be aged 18 years or over and not engaged in employment outside the home.
- *Lone Parent's Allowance:* must be a widow, widower, separated spouse, unmarried person or prisoner's spouse with one or more child dependants, and not living with another person as husband and wife.
- *Supplementary Welfare Allowance:* must not be engaged in full-time work (30 hours per week or over). An exception is made in the case of people whose earning power is substantially reduced due to disability. Full-time

students are excluded. Applicants may also be required to register for employment, if age, health and family circumstances permit.

Disabled Person's Maintenance Allowance must be medically verified as unable to work due to disability for at least one year and aged between 16 and 66 years.

Residence and nationality

Eligibility for social assistance in Ireland is not subject to a nationality condition. Anyone can claim assistance while resident in Ireland, subject to the normal conditions of the relevant scheme. In relation to Unemployment Assistance, a European Economic Area (EEA) national (other than from the UK) who is seeking work in Ireland may remain in Ireland for three months without applying for a residence permit, but such a person is required to have a residence permit after this time. If s/he has applied for a permit, Unemployment Assistance continues to be paid pending a decision on the individual's residence permit application, provided she is actively seeking work and has a genuine chance of getting a job.

EU citizens exercising their right to free movement under the Treaty of Rome (people entering the Republic of Ireland to take up employment, start a business or provide services), can claim social assistance subject to meeting the normal conditions. They are however, subject to a rule that says they should not rely on public funds (including assistance payments). If it is felt that they do not qualify as a 'worker' under the Treaty (for example, because they were employed within the Republic of Ireland for only a short time or did not genuinely come seeking work) they may be asked to leave the country if they claim social assistance. This does not apply to British nationals, who can claim assistance on the same basis as those of the Irish Republic.

Entitlement to social assistance is based on need, and all habitual residents of the Republic of Ireland are eligible. However, the Department of Social Welfare is obliged to inform the Department of Justice of the presence of illegal residents. The person's right to remain in the country could then be reviewed.

Refugees and other people applying for asylum in the Republic of Ireland can claim social assistance once they are resident in the country. Supplementary Welfare Allowance is paid in emergency cases until a decision is reached on such people's applications. Once legal residence has been granted, social assistance is available on the same basis as for the rest of the population.

People can only get social assistance payments while they are in the Republic of Ireland. However, where a claimant takes up residence in Northern Ireland, payment of Old Age Non-Contributory Pension continues until the pensioner becomes entitled to an equivalent payment from the Northern Ireland authorities or for a period of 'five years- whichever is the shorter. In the case of Unemployment Assistance, people can claim for a maximum of two weeks while out of the country (for example, on holiday). This payment is made on their return from abroad. People who qualify for Disabled Person's Maintenance Allowance can retain their entitlement for up to three months.

Duration of benefit entitlement

As long as the need continues and the other conditions are met, all social assistance payments are available indefinitely.

Availability for work and labour market policy

Recipients of Unemployment Assistance are obliged to seek work. People claiming Supplementary Welfare Allowance may also be required to register for employment, particularly those recipients awaiting a decision on an Unemployment

Assistance or Benefit claim. All other recipients of social assistance payments *are* exempt from this requirement.

People claiming Unemployment Assistance are required to demonstrate that they are actively seeking work. Departmental personnel use their own discretion in assessing claimants' efforts to secure employment, and due regard is given to the claimants' age, physique, education, normal occupation, place of residence and family circumstances. The Department would normally expect recipients to show documentary evidence of attempts to find work. This would include proof of job interviews and application forms. Registered application forms from employment agencies are also expected as evidence of genuinely seeking employment, but there is no specific legal obligation which forces claimants to register with such bodies. Claimants are also requested to register with the National Training and Employment Authority (FAS in Irish). FAS provides training and work experience to enhance the employment prospects of participants. When an FAS placement officer decides that a locally-available training scheme is suitable for a recipient of unemployment assistance, that person is obliged to attend the training course. Failure to attend without a valid reason can result in the loss of up to nine weeks entitlement.

In addition to those listed above, there are several voluntary training and work-related schemes available to Unemployment Assistance recipients. These include the part-time job incentive scheme, the vocational training opportunities scheme, the second level initiative, the third level allowance, the part-time education initiative, the voluntary work option and the back-to-work allowance. Most of these schemes are designed to provide 'second chance' education and training. Some, such as the back-to-work allowance, are geared towards combating the welfare-generated unemployment trap by allowing recipients to retain a portion of their entitlement while working. Recipients of Lone Parent's Allowance can also participate in some of the above schemes.

The amount of work which assistance recipients can carry out while continuing to be eligible for benefits varies according to the scheme:

Unemployment Assistance: recipients can work up to and including three days per week and still retain a portion of their payment. Earnings above specific levels are regarded as means.

- *Pre-Retirement Allowance:* recipients must not be engaged in insurable employment which is work paying more than £1R30 per week (from 1994).
- o *Old Age Non-Contributory Pension, Orphan is Non-Contributory Pension, Lone Parent's Allowance:* recipients are permitted to work without limit, but earnings above specific levels are counted towards the income test.
- *Carer is Allowance:* recipients cannot be engaged in full-time work outside the home nor^o be self-employed.
- *Supplementary Welfare Allowance:* recipients cannot be engaged in full-time work, defined in 1994 as 30 hours per week.

Self-employed people, including farmers, are also able to claim Unemployment Assistance. Their weekly means are derived from the previous year's income. Unlike unemployed wage-earners, the income of self-employed people and farmers is assessed before tax and social insurance is deducted. Business assets are ignored, so long as claimants continue to work in the same business.

The bend it unit

The benefit unit for the calculation of assistance claims includes the claimant, a dependent partner and any dependent children normally resident in the claimant's household (including foster and adopted children). It is normally assumed that young people under 18 years of age who are not working will be supported by their parents/guardians. In the case of short-term claims, young people are considered

'dependent' up to the age of 18. In the case of long-term claims, benefits can be claimed until the dependant reaches the age of 21, if that young person is still in full-time education.

Income and assets tests

Any individual can claim social assistance if they meet the qualifying conditions (such as unemployment, old age, disability) but the means test generally takes account of income of the spouse or cohabiting partner as well as that of the claimant. The incomes of non-resident family members are not taken into account.

In the case of Unemployment Assistance, where a person is living with his or her parents, the parents' income may also be taken into account when a claim is made. Either partner in a couple can claim social assistance in his/her own right. Payment is made to whomever makes the claim, or alternatively both can claim (except in the case of Supplementary Welfare Allowance when only one adult can claim on behalf of the family). If a couple have children and both partners are claiming, the amount payable in respect of child dependants is split between them. In the case of Unemployment Assistance, where both partners can claim, the total payment is limited to the amount payable if one partner claimed in respect of the entire unit.

Where two unrelated adults of the opposite sex are sharing the same dwelling, there is usually an assumption that they may be cohabiting or living together as husband and wife. It is the responsibility of Departmental investigators to collect evidence in support of this assumption. Examples of such evidence include the following:

- Ⓡ single residential unit shared by couple
 - o household expenses shared between the two people
 - joint financial commitments, for example, bank accounts, mortgages
 - joint holiday arrangements
 - socialising patterns
 - children of the relationship.

Investigators are not permitted to enquire about sexual relationships, but voluntary admissions may be taken as evidence. If it is decided that the couple are indeed living together as husband and wife their benefit levels are adjusted accordingly.

The following exceptions apply to income counted in the means test:

Earnings: disregards vary across schemes and some have no earnings disregard.

- *Unemployment Assistance:* disregards an amount equivalent to the daily rate of unemployment assistance plus £15 for each day worked.
- Ⓡ *Old Age Non-Contributory Pension:* disregards £2 per week of any earnings in respect of each dependent child.
- *Blind Person's Pension:* disregards earnings of £12 per week for recipients and £14 per week in respect of an adult dependent.
- *Widow's Non-Contributory Pension, Deserted Wife's Allowance:* all earnings are taken into account, but £12 of each means are disregarded.
- *Carer's Allowance:* the recipient cannot be engaged in employment or self employment outside the home. The earnings of the recipient's spouse are counted as income, but from July 1994 a recipient's spouse can earn up to £100 per week without affecting the recipient's entitlement.
- *Lone Parent's Allowance:* as from July 1994, a flat-rate of £10 per week is disregarded.
- Ⓡ *Supplementary Welfare Allowance:* all earnings are taken into account.

In general, claiming two separate social welfare payments is not allowed: if a claimant is eligible for more than one they can opt for the higher one. Thus the question of having income from benefits {apart from Child Benefit} as well as an assistance claim, does not normally arise. If the claimant's spouse or partner is receiving a social welfare payment this does not count as means, but the spouse would not be regarded as a dependant. The income of a child dependant, including Child Benefit, is ignored, but child maintenance payments are counted in full.

Income from sub-tenants or lodgers, however, is counted in most cases, except where the lodgers are students studying Irish in *Gan/tacht* (Irish-speaking) areas under a scheme administered by the Minister for the Gaeltacht. Usually all training allowances received while undergoing a course of rehabilitation or training provided by an approved organisation are disregarded. Gifts are ignored unless they are so regular as to become *de facto* income maintenance. Donations from most charitable organisations are totally disregarded.

For most social assistance schemes, earnings are counted before taxation but after social insurance contributions have been deducted. For Unemployment Assistance, however, earnings are counted net of tax, social insurance, superannuation, union fees and voluntary health insurance contributions.

Capital and assets: The value of a claimant's home is not taken into account if it is the claimant's main dwelling. Assessment of capital includes the cash value of any investments or property (excluding the claimant's own home), money on deposit and cash in hand. Different formulas apply for disregarding part of personal assets, as follows:

| | |
|---|---|
| Unemployment Assistance | |
| Pre-Retirement Allowance | Five per cent of the first £IR.400 of capital |
| Supplementary Welfare Allowance | Ten per cent of the balance |
| Disabled Person's Maintenance Allowance | |
| Old Age Non-Contributory Pension | First £IR200 of capital disregarded |
| Blind Person's Pension | Five per cent of the next £1 8375 |
| Carer's Allowance | Ten per cent of the balance |
| Widow's Non-Contributory Pension | |
| Deserted Wife's Allowance | First £IR200 of capital disregarded |
| Prisoner's Wife's Allowance | Further £IR100 for each child disregarded |
| Orphan's Non-Contributory Pension | Five per cent of the balance |
| Lone Parent's Allowance | |

Subject to the various limitations on working and earnings disregards, most schemes currently operate a 100 per cent rate of withdrawal as income increases. With regard to Unemployment Assistance, all payment is withdrawn if a recipient works for a fourth day in any one week, while a 50 per cent rate of withdrawal has been effective for Lone Parent's Allowance since July 1994.

Benefit levels

There is no official poverty line, minimum subsistence income or minimum wage in the Republic of Ireland. Rates of payment for social assistance have been set nationally by Parliamentary decisions. Upratings take place annually, also by decision of Parliament. Increases are at least in line with prices (as measured by the Consumer Price Index).

All benefits are made up of a personal allowance, plus, in some cases, extra allowances for adult and child dependants. Table 12.4 shows the monthly rates of benefit in May 1992 to May 1994.

Table 12.4. Monthly rates of social assistance at 1st May 1992, 1993 and 1994

| | | 1st May 1992 £IR | 1st May 1993 £IR | 1st May 1994 £IR |
|---|---------------------------|---------------------|---------------------|---------------------|
| Unemployment Assistance | Short-term rate | 216.67 | 229.67 | 244.93 |
| | Long-term rate | 238.33 | 247.87 | 256.53 |
| | Adult dependant allowance | 143.00 | 148.63 | 153.83 |
| | Child dependant allowance | 52.00 | 54.17 | 55.47 |
| Pre-Retirement Allowance | Personal allowance | 238.33 | 247.87 | 256.53 |
| | Adult dependant allowance | 121.33 | 148.63 | 153.83 |
| | Child dependant allowance | 52(0) | 54.17 | 55.47 |
| Old Age Pension (Contributory) | Personal allowance | 238.33 | 247.87 | 256.53 |
| | Adult dependant allowance | 143.00 | 148.63 | 153.83 |
| | Child dependant allowance | 52.00 | 54.17 | 55.47 |
| Blind Person's Pension | Personal allowance | 238.33 | 247.87 | 256.53 |
| | Adult dependant allowance | | | |
| | Child dependant allowance | | | |
| Widow's Non-Contributory Allowance | Personal allowance | 238.33 | 247.87 | 256.53 |
| | Adult dependant allowance | | | - |
| | Child dependant allowance | | | |
| Deserted Wife's Allowance | Personal allowance | 238.33 | 247.87 | 256.53 |
| | Adult dependant allowance | | - | |
| | Child dependant allowance | | | |
| Prisoner's Wife's Allowance | Personal allowance | 238.33 | 247.87 | 256.53 |
| | Adult dependant allowance | - | | |
| | Child dependant allowance | | | |
| Orphan's Non-Contributory Pension | Personal allowance | 135.20 | 140.83 | 169.87 |
| | Adult dependant allowance | | | |
| | Child dependant allowance | | | |
| Carer's Allowance | Personal allowance | 216.67 | 229.67 | 256.53 |
| | Adult dependant allowance | | | |
| | Child dependant allowance | 52.00 | 54.17 | 55.47 |
| Lone Parent's Allowance | Personal allowance | 238.33 | 247.87 | 256.53 |
| | Adult dependant allowance | | | |
| | Child dependant allowance | 60.67 | 63.27 | 64.57 |
| Supplementary Welfare Allowance | Personal allowance | 238.33 | 229.67 | 240.93 |
| | Adult dependant allowance | 143.00 | 148.63 | 153.83 |
| | Child dependant allowance | 52.00 | 54.17 | 55.47 |
| Disabled Person's Maintenance Allowance | Personal allowance | 238.33 | 247.87 | 256.53 |
| | Adult dependant allowance | 143.00 | 148.63 | 153.83 |
| | Child dependant allowance | 52.00 | 54.17 | 55.47 |

Source: Department of Social Welfare, 1994

Thus, in 1993, a couple (neither of whom were working) with one child, receiving Unemployment Assistance at the short-term rate, would have received £IR432.47 per month, which was equivalent to approximately US\$5660 or £416 using purchasing power parities.

Other assistance-linked means-tested benefits

The other main means-tested benefits are Family Income Supplement (FIS) and housing supplements. Help with housing costs is described below (section 12.4).

FIS is not regarded as a social assistance benefit, but it does make a contribution to securing a minimum level of income for low-income families in work. Claimants must be in full-time work for an employer and working at least 20 hours per week. If both parents are working they may aggregate their hours. Claimants must be in receipt of Child Benefit for at least one child, and have income below a prescribed amount. Income is calculated on the basis of the gross pay of the claimant (and partner), including income from social welfare payments (excluding Orphan's Benefit, Child Benefit, Rent Allowance, Allowance for Domiciliary Care of a Handicapped Child, Supplementary Welfare Allowance and unearned income from savings or rent from property).

FIS is equal to 60 per cent of the difference between assessable family income and a prescribed amount. In 1992, the weekly income ceiling^g for a couple with one child was £18140 (around US\$2:15 or £136), plus £1R20 for the second, third and fourth child; £1R25 for the fifth child and £1R17 for each additional child thereafter. The 1994 income ceiling for a couple with one child was £1R185. The minimum payment is £1R5 and entitlements below this are rounded up. The benefit is payable weekly by order book, normally to the claimant who is the principal earner.

There has been a long-standing problem of take-up with this benefit. Using a tax-benefit simulation model^h the Economic and Social Research Institute has estimated that only 25 per cent of those eligible for FIS claim the payment (Callan and O'Neill, 1992).

Entitlement to means-tested secondary benefits like FIS is based on an assessment of most income including social assistance payments. However, some exceptions are made in certain cases, such as for people on Disabled Person's Maintenance Allowance. The relationship between other income-related benefits is as follows:

- A single parent working for at least 20 hours per week may be entitled to both Lone Parent's Allowance and FIS. For the purposes of calculating FIS, payments of LPA are taken into account, but FIS is not regarded as income for determining access to LPA.
- The Medical Card assessment procedure takes account of all gross income (including social assistance payments) net of social insurance contributions.
- Rent Supplement and Mortgage Interest Supplement take account of all net income including social assistance. The assessment of income for differential rent by a local authority usually discounts the value of Child Benefit and other smaller payments.

Insurance contributions and credits

Most health services are provided by the Department of Health and the eight regional Health Boards. They are financed from general taxation and do not require insurance contributions. Most social assistance recipients who have previously paid social insurance receive a social insurance credit which counts towards part, but not all, of the conditions for receiving social insurance benefits covering such areas as pensions, sickness, unemployment and maternity. However, people receiving Carer's Allowance, Lone Parent's Allowance, Supplementary Welfare Allowance and Disabled Person's Maintenance Allowance do not receive credits.

One-off and urgent payments

In the Republic of Ireland, urgent needs can be met by payments under the Supplementary Welfare Allowance (SWA) scheme. There are no fixed budgets for this scheme nor, in general, is there a requirement to repay one-off payments made under it.

Apart from the basic rate, which acts as the safety net to the social assistance system, and rent mortgage interest supplements, the SWA scheme allows for two other types of payment. The Health Board's community welfare officers use their local knowledge and discretion in deciding the level of these payments, working within national guidelines. The payments are:

- Exceptional Needs Payments:* these are one-off payments to Social Welfare or Health Board recipients to meet an exceptional need such as clothing, essential household equipment, funeral expenses or fuel bills.
- Urgent Needs Payments:* Health Boards are also empowered to make a one-off payment^v to people (including those otherwise excluded from receipt of social welfare allowance) to meet an urgent need (for example, in the event of a fire or flood in a claimant's home).

There are no fixed *budgets* for these payments, nor any requirement to repay them.

Fringe benefits and concessions

Medical costs: Regional Health Boards supply medical cards on a means-tested basis, which grant free access to the whole range of medical services. The present level of social assistance payments allows most recipients to qualify for medical cards.

Education costs: A back-to-school clothing *and* footwear allowance is means-tested and normally available to all social assistance recipients. The annual payment of €1R35 or €1R50 per child paid in September contributes towards the cost of providing school clothing and footwear. Free school meals are provided to primary school children in some areas, at the discretion of school principals. *Free* transport to and from school is available to the children of medical card holders. Eligibility for free or subsidised school books is based on need and decided by school principals. Primary school children receive one standard annual payment of either €5.50 or €10, while each secondary school administers a lump-sum fund for this purpose at its own discretion. Third-level education grants are means-tested payments which can cover the costs of fees and maintenance for the duration of an approved third-level course. The income thresholds are related to family size and are above the corresponding rates of payment for all social assistance payments.

Fuel allowance: This is payable to all households dependent on long-term social assistance payments, but excludes recipients of short-term Unemployment Assistance and Supplementary Welfare Allowance. Recipients receive €1R3 per week for the six-month period between mid-October and mid-April.

Other expenses: Free travel on public transport is provided to all residents of the Republic of Ireland aged 66 or over, and those under 66 years old who are in receipt of Disabled Person's Maintenance Allowance or other payments (such as Invalidity Pensions) which are part of the contributory system. People aged 66 years or more, who receive social assistance, may also qualify for an electricity or natural gas allowance, free television licence and free telephone rental.

Administration and the claiming process

Social assistance benefits are not all claimed in the same way. Unemployment Assistance is claimed at the client's local welfare office, while Supplementary Welfare Allowance and Disabled Person's Maintenance Allowance are claimed from the local Health Board's community welfare office. All other social assistance claims are processed centrally and are applied for by post, using detailed application forms. All payments are made on a weekly basis. Payment is continued for as long as the claimant satisfies the qualifying conditions. Any changes which are likely to affect *their* benefit entitlement must be reported to the relevant authorities. These are extensive and include stopping or starting work, changes in earnings or other income and changes of employer, hours of work, address, or household composition.

Traditionally, each scheme had a payment method associated with it - for example, by cash at a social welfare services office for the unemployed, by order book for most other social assistance recipients and by cheque for Health Board payments. However, the Department of Social Welfare has begun the introduction of new payment methods. Certain categories of the long-term unemployed are now paid by means of order books, payable through Post Offices. A further method now becoming available for the unemployed is a weekly postal draft also payable through the Post Office. There is a home visiting service for certain categories of claimants such as old age pensioners which can also be used to verify the claimant's circumstances.

If people are mistakenly paid more social assistance than they are entitled to, overpayments are recovered from future payments. Overpayments are only recoverable from the claimant and his/her partner, not from other family members.

In general, payments are not recoverable from the estate of a deceased claimant. However_ if new facts arise which reveal the existence of higher means than that previously assessed, the Department can recover the amount of the overpayment from the deceased claimant's estate.

In order to claim assistance entitlements, people have to quote their revenue and social insurance (RSI) number or apply for one if they have none. They may also be required to show proof of identity (a birth certificate is required for claiming Unemployment Assistance and most pensions). There is at present no system of national identity cards in the Republic of Ireland.

The collection of information about claimants enables investigators in local offices to exercise a role in the control and detection of fraud. Departmental records and computer systems are now harnessed to identify payments unlawfully received. The Department of Social Welfare has also introduced legislation specifically designed to prevent fraud. and certain employers are now obliged to notify the Department of new employees or sub-contractors. A central control division has direct responsibility for the control and detection of fraud and is aided by a joint Revenue-Social Welfare Inter-Departmental Unit. The latter unit employs teams of specialist fraud investigators. These teams are pro-active and utilise various channels to improve the targeting of their investigations. Order books have also been redesigned to prevent forgery.

Claimants dissatisfied with decisions in relation to social assistance payments have a right to appeal to the Social Welfare Appeals Office within 21 days of an original decision. In exceptional cases, appeals received outside this period may be accepted with the consent of the Chief Appeals Officer. The Appeals Office operates independently of the Department of Social Welfare. An Appeals Officer may revise the decision of the local officers who make the original determination. The appeal can be made by application form or by a letter setting out the grounds for appeal. An oral hearing by an Appeals Officer may also be arranged. Decisions of an Appeals Officer and revised decisions of the Chief Appeals Officer may be the subject of a further appeal to the High Court on a point of law. Appeals against decisions relating to Supplementary Welfare Allowance *and* Disabled Person's Maintenance Allowance are made to the Appeals Officer at local Health Boards.

All government Departments, local authorities and Health Boards are themselves subject to investigation by the Ombudsman, to whom a member of the public can complain that they have been unfairly treated. The Ombudsman can investigate administrative actions such as decisions, administrative procedures and failure to take action. In addition, all Departments are subject to financial scrutiny by the Comptroller and Auditor General, and to the Public Accounts Committee of Parliament. Complaints can also be taken up through public representatives.

The role of non-governmental organisations in social assistance

Many charities provide services, or make financial payments, to families facing financial difficulties, but these are not regarded as part of the social assistance system. Citizens Information Bureaux and Family Resource Centres complement the Department's own extensive network of information centres and numerous publicity campaigns on welfare rights and entitlements. Some of these voluntary sector agencies are funded by the Department of Social Welfare. The Department also funds voluntary organisations which provide services complementary to social assistance such as schemes to combat exploitative money-lending).

12.4 Housing assistance

Social assistance payments are intended to be sufficient for day-to-day subsistence needs, but housing costs can be paid separately. The main schemes of support for housing costs for low-income families are rent and mortgage supplements, under the Supplementary Welfare Allowance scheme, and differential (income-related) rents charged by local authorities to their tenants.

Rent and mortgage supplements

Mortgage interest and rent supplements are calculated so that after payment of rent or mortgage interest, the person has an income equal to the rate of Supplementary Welfare Allowance appropriate to his/her family size, less £1R5. Rent supplements can be paid to people in privately-rented housing or social housing provided by voluntary housing associations. *They* cannot be paid to people in local authority housing. A mortgage interest supplement is paid to existing mortgage holders *who* satisfy the means test. However, only interest payments on mortgages can be paid, not capital. Interest may include home improvement loans taken out before applying for these supplements. Full interest can be met indefinitely, unless the payment is estimated to exceed the cost of alternative rented accommodation.

Local authority differential rents

Local authorities (County Councils, City Corporations or Urban District Councils) provide housing for people unable to meet their own housing needs. Each local authority is free to determine its own rent levels, subject to the following guidelines laid down by the Department of the Environment:

- Ⓢ rent must be related to income and a smaller proportion of income should be required from low-income households
- Ⓢ allowances should be made for dependent children
- Ⓢ provision should be made for lower rents in situations where the normal rent would give rise to hardship.

12.5 Trends in expenditure on social assistance

Due to the continuous introduction of new schemes and the evolution of older ones over the years, it is difficult to define some expenditures as being exclusively devoted to social assistance. Table 12.E provides the best estimate of total expenditure on assistance payments since 1980. Expenditure on child benefit and administration is not included in column [a] but all expenses incurred by the Department of Social Welfare are included in the figures for total expenditure used in the calculation of column [b]. The cost of the Department of Health's Disabled Person's Maintenance Allowance is included in both columns [a] and [b], but other health service expenditure is not included. Given these discrepancies, it is necessary to view the figures provided with a degree of caution, particularly for the earlier years.

Table 12.5: Expenditure on social assistance, 1980-1993

| Year | Social assistance expenditure (IR millions) | Expenditure on social assistance as a proportion of total spending on social welfare (34) |
|------|--|---|
| | (a) | (b) |
| 1980 | 277 | 30.3 |
| 1981 | 350 | 29.8 |
| 1982 | 498 | 30.2 |
| 1983 | 590 | 30.7 |
| 1984 | 702 | 33.1 |
| 1985 | 793 | 34.1 |
| 1986 | 858 | 33.8 |
| €987 | 909 | 34.4 |
| 1988 | 948 | 35.5 |
| 1989 | 1.009 | 37 |
| 1990 | 1.110 | 38.6 |
| 1991 | 1.265 | 39.9 |
| 1992 | 1.47 ² | 42 |
| 1993 | 1.602 | 44 |

Source: Department of Social Welfare, 1994

In purchasing power parities, expenditure on social assistance in 1993 was equivalent to approximately US\$ 2.46 billion or £1.56 billion. The table suggests

that. as a proportion of all welfare spending, expenditure on social assistance has been gradually increasing. Overall administrative costs for social assistance represent around 4.7 per cent of the Department's total expenditure.

Table 12.6 shows the level of expenditure by scheme for 1991 to 1993.

Table 12.6: Expenditure on social assistance by scheme. 1991-1993

| | 1991 £IR (millions) | 1992 £IR (millions) | 1993 £IR (millions) |
|--|---------------------------|---------------------------|---------------------------|
| Old Age Non-Contributory Pension | 308.88 | 317.23 | 318.43 |
| Pre-Retirement Allowance | 27.05 | 41.83 | 57.19 |
| Widow's and Orphan's Non-Contributory Pensions | 47.58 | 51.90 | 54.06 |
| Deserted Wife's Allowance | 5.22 | 5.72 | 5.96 |
| Prisoner's Wife's Allowance | 0.03 | 0.04 | 0.13 |
| Lone Parent's Allowance | 110.55 | 133.78 | 151.00 |
| Supplementary Welfare Allowance | 61.93 | 89.61 | 97.76 |
| Carer's Allowance | 6.06 | 1(1.50) | 11.51 |
| Unemployment Assistance | 602.33 | 719.38 | 794.70 |

Source: Department of Social Welfare. 1994

Table 12.6 shows that the major areas of expenditure are Unemployment Assistance and the Old Age Non-Contributory Pension, followed by the Lone Parent's Allowance.

Expenditure on Family Income Supplement was £IR12.6 million in 1992.

12.6 Trends in receipt of social assistance

Table 12.7 shows the total numbers of recipients of assistance benefits from 1980 to 1993.

Table 12.7: Total number of recipients of social assistance, 1980--1993

| Year* | Nos. of Recipients |
|-------|--------------------|
| 1980 | 297.95(1) |
| 1981 | 312.537 |
| 1982 | 336.064 |
| 1983 | not available |
| 1984 | |
| 1985 | |
| 1986 | 361,349 |
| 1987 | 361,319 |
| 1988 | 364,267 |
| 1989 | 366,274 |
| 1990 | 376,850 |
| 1991 | 408,072 |
| 1992 | 440,682 |
| 1993 | 461,892 |

December of each year

Source: Department of Social Welfare. 1994

Over this period, the total number of assistance recipients increased by just over 54 per cent. In particular, there was a significant increase in the number of people receiving Unemployment Assistance and Lone Parent's Allowance. while receipt of the assistance old-age pension has been gradually declining. The number of people receiving Unemployment Assistance increased by 142 per cent over the 10 year period from 1983 to 1993 (from 85.123 to 205.665). Table 12.8 gives a breakdown of recipients by benefit between 1989 and 1993.

Table 12.8: Recipients of social assistance, by benefit. 1989-1993

| Benefit | 1989 | 1990 | 1991 | 1992 | 1993 |
|-----------------------------------|-----------|---------|---------|---------|---------|
| Unemployment Assistance | 1,142,652 | 144,739 | 165,539 | 190,930 | 205,665 |
| Old Age Non-Contributory- Pension | 120,632 | 118,223 | 115,950 | 113,555 | 111,011 |
| Pre-Retirement Allowance | - | 6,104 | 9,441 | 15,438 | 15,882 |
| Widows' Non-Contributory Pension | 19,002 | 17,877 | 18,287 | 18,677 | 18,825 |
| Deserted Wife's Allowance | 5,271 | 1,793* | 1,895* | 1,971 | 2,051 |
| Prisoners' Wife's Allowance | 725 | 9* | 12 | 9 | 8 |
| Orphan's Non-Contributory Pension | 150 | 144 | 143 | 172 | 223 |
| Carer's Allowance | | 1,240 | 3,355 | 3,938 | 4,328 |
| Lone Parent's Allowance | -- | 25,231 | 29,184 | 32,927 | 36,653 |
| Supplementary Welfare Allowance | 11,205 | 12,572 | 14,208 | 13,688 | 16,500 |

* Only refers to those without child dependants. Those recipients with child dependants have transferred to the Lone Parent's Allowance scheme.

Source: Department of Social Welfare, Statistical information on Social Welfare Services. 1990. 1992 and 1993

An additional 12,600 families (including 20,300 children) were receiving Family Income Supplement in December 1992 -- an increase of more than 8,000^v (146 per cent) since 1987.

12.7 Policy issues

Poverty and the level of benefits

Poverty in Ireland, as in Britain, was 'rediscovered' by social scientists in the late 1960s (O'Connell, 1972). It was never at the centre of the policy agenda, but has risen in significance over the last few years. Partly this is a product of the research undertaken by the Economic and Social Research Institute (ESRI) (see, for example, Callan *et al.*, 1989) and partly the influence of the Combat Poverty Agency (CPA).

The CPA is a semi-state body, established under the Combat Poverty Agency Act of 1986. Under the Act the Agency has four main functions. These are:

- advising government on social and economic policy in relation to poverty
- supporting and encouraging anti-poverty projects, including community development projects and their evaluation
- developing and conducting research into the nature and extent of poverty
- educating the public about poverty through the collection and dissemination of information on poverty and the development of effective programmes of public education.

It is significant that the Agency is established under statute, is directly funded by government and has a formal responsibility to campaign on poverty related issues. The CPA is at the head of a wider structure of poverty-related voluntary organisations. These include the Irish National Organisation of the Unemployed, the European Anti-Poverty Network, Irish Rural Link, the Community Workers Co-operative, churches - especially through the Conference of the Religious in Ireland's 'Justice Desk' (CORI, formerly CMRS: Conference of Major Religious Superiors). In addition, the ESRI plays an important role in stimulating and informing poverty debate through their various research reports.

There is an increasingly well-informed debate around social assistance. The Combat Poverty Agency, as a focus for much of this discussion, has articulated a view that scale rates are inadequate and that they do not meet the minimal recommended levels set out by the Commission of Social Welfare (see, for example, the 1994 Pre-Budget submission). Evidence on the adequacy of scale rates can be found in previous CPA budget submissions, such as that by Carney *et al.* (1994). There has also been detailed technical discussion of the appropriateness of equivalence scales in social assistance rates (see Callan *et al.*, 1989; Report of the

Review Group on Treatment of Households in the Social Welfare Code. 1991; Fitzgerald, 1992; Murphy-Lawless. 1992; Nolan and Callan, 1994; Williams and Whelan. .1994). There is little hard evidence of direct criticisms about social assistance arrangements in the Republic of Ireland, though poverty does figure more widely as an issue in political campaigns and public opinion polls. In so far as there is a focused debate, it is around the adequacy of benefits, the Social Welfare Allowance scheme and the treatment of travellers. Media debate about these issues is limited and tends to be concentrated around the annual budget: poverty, inequality and the medical card would commonly be issues under discussion, rather than social assistance specifically.

The CPA estimated that in 1992, between 20 and 30 per cent of the Irish population (depending on the measures taken) lived in varying degrees of poverty. It noted that for half these numbers, poverty was the result of the main wage earner being unemployed. The CPA believes that unless the problem of increasing unemployment is addressed, poverty will continue to overshadow the work carried out by the Agency.

Analysis of household budget survey data for 1973, 1980 and 1987, conducted by the ESRI., provides an indication of trends in relative poverty over time (Table 12.9).

Table 12.9: Trends in relative poverty at 50 per cent line. 1973, 1980, 1987

| Equivalence scale | Year and data source | | |
|-------------------|--------------------------|--------------|--------------|
| | 1973 FIBS | 1980 FIBS | 1987 ESRI |
| | Percentage of households | | |
| A | 18.2 | 17.7 | 18.9 |
| B | 17.9 | 17.6 | 18.5 |
| C | 17.7 | 16.8 | 17.5 |
| | Percentage of persons | | |
| A | 17.8 | 19.2 | 22.9 |
| B | 15.9 | 17.4 | 21.2 |
| C | 14.8 | 16.2 | 19.8 |

Note: Equivalence scales:

A: 0.7 for other adults, and 0.5 for children - the scale used in O'Higgins' and Jenkins (1990) estimates of relative poverty in EC countries

B: 0.6 for other adults and 0.4 for children. Implicit scale rate in UK's Income Support scheme

C: 0.66 for other adults, and 0.3 for children. implicit scale rate for Unemployment. Assistance in Ireland

Source: Nolan and Callan, 1994. p.35

Although the proportion of *households* living below the 50 per cent line changed little over the period between 1973 and 1987, the proportion of *persons* with equivalised incomes below the line increased significantly.

In its submission to the Minister for Social Welfare on the 1993 budget, the CPA noted that in 1987, 12.5 per cent of households living in poverty were paying tax and/or Pay Related Social Insurance (PRSI). In addition it remarked that had these households been exempt from paying these contributions they would not have been below the poverty line. Since 1987 the overall situation has not improved: the circumstances of some households have improved but for others they have deteriorated.

Work incentives

The high levels of unemployment in the Republic of Ireland have tended to contribute to a recognition that most benefit recipients are 'deserving'. Even so, there is a concern about work incentives, compliance measures and undeclared work. For example, there is an implicit distinction between unemployed people in urban and rural areas: there is a view that in rural areas forms of seasonal and part-time work are readily available which are often not declared to the Department of Social Welfare.

Stigma

In so far as there is concern about stigma, it applies largely in relation to travellers and recipients of Supplementary Welfare Allowance. In the context of high levels of unemployment it is arguable that there is less sensitivity to stigma. It is generally acknowledged that there have been significant improvements in the standards of benefit delivery and quality of offices. The Department of Social Welfare has shown considerable interest in the UK's Benefits Agency initiatives in the sphere of customer-orientated services.

Poverty and unemployment traps

There is widespread evidence of claimants being affected by both poverty and unemployment traps. Indeed this is the subject of a special Department of Social Welfare working party enquiry considering ways of integrating the tax and social welfare systems. The Combat Poverty Agency is of the view that the number of people affected by these traps is relatively small, although it has welcomed the initiative.

12.8 Recent and forthcoming changes

The Commission on Social Welfare produced a report in 1986, setting out a full agenda for the reform of the social security scheme in Ireland. In many respects it represented the benchmark against which subsequent progress is to be measured (see Commission on Social Welfare, 1986 and Curry, 1993). The report recommended a widening of the scope of social insurance and a commensurate contraction in the role of social assistance. Social assistance benefits were to become comprehensively available to those who did not establish entitlement to social insurance benefits or whose entitlement was exhausted. The requirement to establish or report the *cause* of need would be removed, so that many of the existing categorical social assistance benefits would be abolished (for example, Lone Parent's Allowance, Widow's Pension, Prisoner's Wife's Allowance). A simplified means test would be retained.

The report did not meet with an enthusiastic response from Government, but was applauded by many other bodies and organisations. The *Campaign for Welfare Reform*, consisting of over 20 voluntary organisations, has lobbied for its implementation. A 1991 report, called the Programme for Economic and Social Progress, representing the concerted views of social partners, recommended that priority should be given to the implementation of outstanding recommendations from the Commission's report over a three-year period.

In the late 1980s and early 1990s a series of reforming measures were introduced, covering many aspects of social security which go beyond social assistance itself. Of significance has been the reduction in the difference between the highest and lowest rates of social security payment. The social insurance contributions base was extended to include the self-employed and the clergy: this required considerable political will. In 1989, the Lone Parent Allowance scheme was introduced and the Carer's Allowance followed in 1990.

In addition to proposals based on the recommendations outstanding from the Commission on Social Welfare, the Conference of the Religious in Ireland (CORI), the Democratic Left and some trade unions have been arguing the case for a basic income scheme. The Combat Poverty Agency and the ESRI have been pushing for the reform of Child Benefit.

It is generally recognised that there will continue to be a role for social assistance benefits in the Republic of Ireland. Although continuous efforts are made to control expenditure (via, for example, fraud control measures), there is no policy of cutting expenditure by reducing entitlements to social assistance. A number of measures (such as a Back-to-Work Allowance) have been introduced to encourage people to move from social assistance to employment.

12.9 Overall performance

Social assistance in Ireland provides comprehensive coverage, which while currently organised by contingency (and involving a large number of different benefits) is gradually moving towards a simpler and more generalised approach. It is subject to national legislation and regulations, which ensure uniformity of entitlement and levels of benefit across the country. Decisions are subject to a well-established independent appeals process.

Benefits are increased annually at least in line with prices, and all weekly rates are now at 90 per cent or more of the Commission on Social Welfare's recommended levels. Ireland also benefits from having a statutory body (the Combat Poverty Agency) with a brief of increasing awareness of poverty issues in Ireland.

On the other hand, there still remain some problems of unemployment and poverty traps and a degree of `churning` of taxes and benefits. although the work incentive elements of social assistance have been increased through extra disregards and back-to-work allowances.

Chapter 13 Italy

13.1 Background

Demography

In 1994 Italy had an estimated population of 57.2 million, but the population has been falling as a result of a plummeting birth rate. In 1993, fertility in Italy reached the lowest level ever for a Western country in peacetime: 1.21 children per woman (Eurasian, 1994a). Typically a country of emigration, Italy has recently become a country of net immigration, as Italians in Europe have returned home and as immigrants from North Africa and elsewhere have arrived. The number of legal immigrants from outside the European Union in 1993 was 834,000, while the estimated number of illegal immigrants was as high as 600,000 in 1991 (Bohning, 1991).

Italy retains a family structure typical of what demographers have called 'the Mediterranean model', with low levels of divorce (0.5 per 1,000 inhabitants, compared with 1.7 in the EU), cohabitation (around one per cent of the total) and births outside marriage (6.3 per cent of all births). However, the number of divorces and separations is rising (Sgritta and Zanatta, 1993). An exceptionally high proportion of people aged 65 and over live with their children: 39 per cent in 1990, compared with 20 per cent in France and 14-16 per cent in the USA, Britain and Germany. The proportion is higher only in Japan (OECD, 1994d, p.104). However, by 1980 Italy already had a comparatively unfavourable ratio of working age people to those over 65, and this is projected to fall substantially by 2050 (DSS, 1991).

Employment and the economy

Official unemployment has traditionally been relatively high, averaging 10.9 per cent from 1982-92 (OECD, 1993g). However, standardised OECD figures for 1993 put unemployment in Italy at slightly below the 10.6 per cent average for the European Union countries (OECD, 1994a). Nevertheless, the incidence of long-term unemployment is the second highest in the OECD: in 1992 an estimated 58.2 per cent of the unemployed had been out of work for a year or more. Long-term unemployment is concentrated particularly in the 15-24 age group. Labour force participation rates have also been among the lowest in the OECD, especially for women. In 1991, the overall rate was 62.5 per cent, compared with an OECD average of 71.3 per cent, but for women it was 45.8 per cent, and only Luxembourg and Spain had lower rates (OECD, 1993c).

Italy has traditionally exhibited a high level of public expenditure combined with a low rate of tax collection and therefore a very high rate of public borrowing. Inflation has usually exceeded the EU and OECD average. The recent OECD (1994d) estimate of expenditure on 'social protection', which includes most items of public social expenditure except education, shows Italy with 25 per cent of GDP in 1991 compared with an EU unweighted average of 22.3 per cent.

The political framework

In social and political terms, Italy is undergoing a profound transformation. In 1992 there was the exposure of 'tangentopoli' - a dense network of corruption in civic and national life, followed by some victories against large *mafiosi* gangs. This

presaged a reform of the voting system towards a mixed *form* of first-past-the-post and proportional representation, followed by the local elections of 1993 and the transformative national election of 1994. This brought to power a right-wing coalition headed by the media magnate Silvio Berlusconi and his newly created party, Forza Italia, together with the Northern League and the neo-fascist National Alliance. Together they received 43 per cent of the votes, compared with 16 per cent for the former Christian Democrats and 20 per cent for the ex-Communist PDS. This political upheaval continued with further victories for Forza Italia in the 1994 European elections. Since then there have been further developments, with Berlusconi being ousted from power in favour of a non-party, business candidate with cross-party backing.

13.2 The social security system

History

Nineteenth century social policy_ notably poor relief and education, was a monopoly of the Catholic church. A late period of industrial development from 1880-1914 inaugurated a brief liberal period and some social reforms. But it was the fascist regime of Mussolini which founded, alongside a corporatist economic policy, the modern institutions of social insurance - INPS (*Istituto Nazionale della Previdenza Sociale* - pensions), INAM (*Istituto Nazionale per l'Assicurazione contro le Infortuni sul Lavoro* -- health insurance) and INAIL (*Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro* occupational injuries). This established a 'Bismarckian' structure of separately funded, differential and earnings-related social insurance schemes. Following the 1948 election, further innovation in social policy was halted. There followed the 'economic miracle' --- bringing economic transformation but social policy stasis.

By the 1960s, however, growing affluence, coupled with inequality and working-class mobilisation, led to the entry of the left into Christian Democrat-dominated governments and generated renewed pressures to reform the health service, rationalise housing provision and introduce a basic pension. This led to the introduction of a means-tested minimum social pension in 1969, limited unemployment benefits, strong *rights* to work and the replacement of health insurance by a national health service. It also led to regional government being instituted and to reform of the divorce and abortion laws. The 1980s witnessed much debate but few important shifts in this welfare system. However, in the early 1990s, several pieces of legislation altered the balance between the state, market and the so-called 'third sector'. of voluntary institutions. Local authorities were delegated powers over social services, including social assistance, voluntary associations were recognised and regulated, and the pension and health care systems were reformed.

The Italian welfare state in the early 1990s was characterised by:

- ® a high level of social expenditure as a share of GDP
- a high level of cash transfers compared with expenditures on services in kind
- a very high share of social protection expenditure on the elderly (15.3 per cent of GDP compared with an EU average of 9.2 per cent in 1991)
- a high reliance on employers' social security contributions to finance these expenditures (23.6 per cent of total tax revenues compared with an OECD average of 13.2 per cent in 1990)
- inequalities and status differences within and between benefit schemes.

Esping-Andersen (1990) classifies Italy as being a 'conservative-corporate' welfare regime, with some elements close to Ireland and the UK. Leibfried (199f) regards Italy as a 'rudimentary' welfare state. Ferrera (1986) describes Italy as a mixed employment-based welfare system. Ascoli (1989) characterises its distinguishing

features as particularism of benefits (differentiated by profession, social group and territorial area) coupled with a logic of patronage - a complex linkage of welfare agencies with clienteles and social categories. This creates a 'jungle of favours and privileges' in which 'immediate political gain is the primary aim' (Ponzini, 1993).

The structure of benefits

The major benefits provided are as follows (Ministry for Internal Affairs, undated):

Retirement Pensions: The majority of pensions are administered by the INPS (*Istituto Nazionale per la Previdenza Sociale*), a national agency comprising 18 separate funds. There are two main schemes, for employed workers and the self-employed. The retirement age is 60 for men and 55 for women, now in the process of being raised by five years for each. The benefits are earnings-related and pension levels are high - the employed workers' scheme provides for 80 per cent income replacement after 40 years' contributions with a minimum contribution of 15 years. Both schemes have a built-in minimum, the *Integrazione al Minimo*. This is distinct from the *Pensione Sociale*, introduced in 1969, which provides a means-tested pension for all people over 65 who have no other pension entitlement. One-quarter of pensioners receive superior civil service pensions, adding to inequality in old age.

Health, sickness and disability: In 1978 a national health service was established (the *Servizio Sanitario Nazionale* - SSN) covering all citizens for medical care and pharmaceuticals. All existing health insurance funds and agencies were liquidated, but the ownership and control of hospitals and health facilities was broadly unaffected. Sickness benefit is provided to all insured workers in a scheme managed by INPS. It provides for half and, after 20 days, two-thirds of previous salary for up to 180 days a year. Maternity benefit for insured workers is particularly generous, providing for 80 per cent of salary for two months prior to delivery and three months after. There are a variety of disability benefits: insurance-based daily compensation for temporary disability incurred at work; a longer-term insurance disablement allowance and disability pension; and an income-related permanent disability income. The last is discussed further below.

Unemployment. There are two main types of Unemployment Benefit. Insured workers made redundant due to a decline in business are entitled to a benefit equivalent to two-thirds of their previous salary for up to 270 days. In all other cases, involuntary unemployment among insured workers attracts a very small daily allowance for six months. For those without prior work and insurance, including most of the young unemployed, and those in irregular work, there is nothing.

13.3 Social assistance

The very concept of *l'Assistenza* or *l'Assistenza Sociale* has a different meaning in Italy to that in the UK or many other countries. It typically includes targeted programmes for specific groups, such as orphans, drug abusers, nomadic peoples, homeless people, victims of earthquakes and many other categories. These are targeted contingency benefits, but do not entail any means-testing, and are thus not discussed in any detail in this study (see Volume One, Chapter Two for a discussion of these distinctions).

Another demarcation problem arises from the fact that since 1965 there has been a minimum pension built into the INPS pension scheme and some other schemes. *l'Integrazione al Minimo*, as described above, provides a guaranteed minimum pension for all those who have met certain contribution requirements. It varies according to previous occupational status. It is income-related, but uses a more generous means test than the *Pensione Sociale* described below. Although it provides a minimum income floor for certain categories of national insurance contributors, it is also excluded from this study. These two types of benefit illustrate the fact that minimum 'safety net' benefits are not the sole preserve of 'social assistance' as we define the term.

There is no national system of social assistance in Italy. Instead, there are particular national means-tested programmes for older and disabled people, coupled with local assistance schemes and church and voluntary relief agencies (see below). The role of Church agencies such as Cuellar and other voluntary bodies is considerable. Administration of almost all benefits is local and there are substantial regional variations. Italy relies on local authorities, the church, voluntary bodies and 'grandmother welfare' to substitute for an official safety net. Lodemel and Schulte (1992) label it an incomplete differentiated poverty regime, where the absence of general assistance forces large groups to rely on the family and voluntary organisations for aid.

History

En the 19th century religious charities (*opere pie*) provided the dominant form of poor relief, though in the cities municipal poor relief also has a long history. The development of social insurance institutions from the 1930s onwards left the assistance programmes basically undisturbed. Jurisdiction for assistance was transferred downwards to the regions in 1972 and to municipalities in 1977. The power of communes in this domain was further strengthened in the Local Autonomies Act 1990. Thus the structure of general assistance has remained unreformed and indeed has been further decentralised. At the same time, alternative non-governmental organisations flourished in the 1970s and 1980s. Their role in social policy was further promoted in the Voluntary Associations Act, 1991 (Cerami, 1979, ch.3; Ferrera, 1986; Ministry of Internal Affairs, undated; Ponzini, 1993).

The other major development in social assistance occurred in the 1960s when national categorical schemes were set up for low-income older and disabled people. These provide guaranteed benefits at a higher level than general local assistance (though considerably lower than most social insurance benefits). Thus Italy exhibits a dual system of social assistance.

In this chapter we describe the following programmes:

1. National, categorical assistance programmes, in particular
 - (a) the *Pensione & Sale* for people over 65 who are not even entitled to the supplementary old-age pension, and
the *Pensione di Inabilitazione*, the means-tested benefit for disabled persons who are not entitled to the invalidity pension.

Local general social assistance (*Irrettrao Vitale*). These programmes are operated at municipal level and both conditions of entitlement and amounts of benefit paid vary considerably between different areas. Within these schemes there is a further rough distinction between

- (a) those addressed to older and disabled people, who tend to receive whatever amount is necessary to make their income up to the social pension level, and
- (b) those addressed to able-bodied young people and adults, and their households, which are much more discretionary.

We do not discuss the supplementary pension (see above, and Carbonaro, 1994), or family allowances, which have been income-tested since 1988 (the *Assegno familiare*), because the income thresholds for receipt of these benefits are well above the poverty level or the level of other minimum benefits (see below). Many other smaller means-tested schemes are also excluded for the sake of clarity.

Legislation and policy objectives

According to the Italian Constitution, Article 38, 'every citizen unable to work and lacking the necessary means to live is entitled to sustenance and social assistance'.

However there is no national framework law on social assistance. Several attempts to introduce one (*Leggo-quadro sull'assisten_a*) over recent years have failed.

Administrative and regulatory framework

No national body is charged with co-ordination or planning powers. The major bodies responsible are as follows:

Social Pension: This is the responsibility of INPS and is financed by the Ministry of Labour.

Disability. Pensions: These are financed by the Ministry of the Interior and administered by the *Præfettura* at provincial level. However, services in kind, both means-tested and others, are administered by the USL (*Urda Sanitaria Locale*), the local body providing health and welfare services.

All other assistance is the responsibility of regions, provinces and communes. The Treasury makes grants to the regions for public bodies in charge of general social assistance. The regions are permitted but not required to establish general frameworks for social assistance. From the evidence in Carbonaro (1994, Appendix B) we can divide current regional practices as follows.

Table 13.1: Regional frameworks for local assistance, c.1990

| Regional framework | North | Centre | South |
|---|--|-------------------|------------------------------------|
| Specific regional guidelines | Bolzano Lombardia Liguria Trento | | Basilicata Calabria Sardegna |
| Benefits to be linked to social or supplementary pensions | Piemonte | Marche | Abhruzzi Sicilia |
| Specific dele ^g ation to Communes or "SLs | Emilia--Romagna Friuli-Venezia Giulia Veneto | Toscana Umbria | Campania |
| No general ^g uidelines | Valle d:Aosta | Lazio | Molise Puglia |

A study by Saraceno (1990) of local income support measures in three regions - Piemonte, Emilia-Romagna and Sicilia - illustrates this variation. Piemonte is a region which has attempted to integrate health and social services including social assistance via local health and welfare services (USLs). In practice, however, they have remained separate. Emilia-Romagna has developed strong provision of services in kind, with responsibility for income support measures split between communes and USLs. In the commune of Bologna, for example, the commune pays *Minima Vitale* to older and disabled people, and one-off benefits to non-elderly adults, while the USL pays assistance to families with dependent children. In Sicilia, while there is a regional law setting out clear criteria and standards for economic support_ there are in practice few common standards. What provision there is tends to be concentrated on services in kind and employment schemes.

Conditions of eligibility

Social Pension: The minimum age is 65 years for both men and women (*higher* than the pension age for insurance benefits). The benefit unit is the single person or couple: entitlement does not depend on the household within which they live.

Disability Pensions: There are many of these, including *Pensione di Inabilitci* for people totally disabled, *Assegno di Inabilitu* for citizens with '74 per cent or worse' disability, pensions for blind and partially sighted people, deaf-mutes and others. These are broadly divided into two categories for those aged 18-65 and for minors under 18. After age 65, responsibility for the benefit is transferred to the insurance institute (INPS) and the social pension.

Local assistance (Minimo Vitale): The minimum age for receipt of benefit is 18 years. Otherwise eligibility is defined by scheme and by locality.

Residence and nationality

EU citizens with legal residence in Italy are eligible for the social pension, and may be eligible for Disability Pensions. No specific groups are excluded from local assistance except for illegal immigrants (who are, however, numerous - see above). Residence in the municipal territory is a condition of receipt of local assistance (MISSOC. 1993).

Duration of benefit entitlement

Duration is unlimited in the case of the national pensions, but limited, with the possibility of renewal, in the case of local assistance, depending on the client group. Generally speaking, *Minimo Vitale* can be paid on a permanent basis to the elderly and severely disabled, but is always temporary (generally no more than three months) for other groups.

Availability for work and labour market policy

The *Assegno di Invalidità*, for partially disabled people, is conditional on attending the employment agency and accepting a suitable job if one is offered. Receipt of *Minimo Vitale* by able-bodied people is usually conditional on taking any job offered, or on involvement in a public works project. Italian legislation for youth employment (people of aged 29 and under) is very extensive. Since 1983, training contracts have provided incentives to employers to provide approved training programmes. In the late 1980s, almost half a million workers were recruited onto such training programmes each year, but of these 91 per cent were in the northern regions (Carbonaro, 1994). The programmes have been criticised as providing temporary and poorly paid jobs, which substitute for better-paid jobs and which may discourage working-age people from applying for benefit (Saraceno, 1990). Public 'insertion' projects also developed substantially in the 1980s. They cover a wide range of activities, including staffing museums and cultural buildings, subsidies to co-operatives and artisan workshops, restoring monuments, clearing derelict land and various forms of training. The number of people catered for by these schemes has, however, been small (Saraceno, 1990).

Income and assets tests

Social Pension: Single persons aged over 65 are eligible if their personal annual taxable income is less than the social pension level. In 1994, this was LIT 4.5 million (approximately US\$3,000 or fr1,900 in purchasing power parities). It reduces *pro rata* as their income approaches that level. There is an additional benefit for single citizens who are not entitled to the *Pensione Sociale* because their personal income exceeds it, but by less than LIT 1.6 million. This *Maggiorazione Sociale* reduces *pro rata* up to that income level. Couples are treated more generously. In 1994 they were eligible for the full social pension if their joint annual taxable income did not exceed LIT 14.6 million, and for a reduced pension if their income lay between LIT 14.6 and 19.1 million. Housing costs are excluded from the calculation. Applicants 'self-declare' their income. There appears to be no assets test, though income from property is included in the taxable income which is subject to the income test.

Disability Pension: For totally and partially disabled people the income thresholds are more generous than for the social pension (LIT 18.4 million and 8.9 million respectively in 1993).

Minimo Vitale: There are no national guidelines or statistics on local means tests. It is generally not payable when there are relatives liable in law for any members in

^{9a} LIT refers to Italian Lira.

the claiming household - a condition which is interpreted with varying levels of strictness (Saraceno, 1990).

Benefit levels

1. Social and disability pensions

In 1994, the annual benefit levels for a single person receiving the following benefits were:

| | | |
|----------------------------|--|-------------------|
| <i>Social pension:</i> | <i>basic</i> | LIT 4.50 million |
| | <i>including maggiora Tone sociale</i> | LIT 6.13 million |
| <i>Disability pension:</i> | <i>basic</i> | LIT 4.36 million. |

These are also the maximum amounts that can be obtained under the schemes, except for the totally disabled --- the more generous income thresholds for this group mean that they can receive a maximum of LIT 13 million (Carbonaro, 1994). Benefits are updated every six months in line with the cost of living index. On a calendar month basis, the maximum amount of the basic social pension is equivalent to LIT 375,000 (around US\$250 or £158 in 1993 purchasing power parities).

Mean per capita expenditure on disability pensions is below average in all except three northern regions and above average in all except three regions in the Centre and South. However the variations are extreme and greater than could be accounted for by the extent of poverty and disability.

Carbonaro (1994) uses as a reference point a poverty standard which defines as poor a two-person household whose total income is below the average per capita income of the whole population. The threshold is then adjusted according to an equivalence scale to yield poverty lines for households of different sizes. This gives a poverty line in 1992 for a single person of approximately LIT 12 million. The Social Pension, with supplements, equals one half of this poverty line and only the payment for people who are totally disabled exceeds it.

Local assistance

Benefits payable under the *Mutuo Vitale* vary substantially between and within regions. From Carbonaro's data (1994), we can calculate the minimum recommended benefit levels in those regions shown in Table 13.2 which lay down regional guidelines. They provide only very general indications of actual benefit levels, however.

Table 13.2 Minimum recommended levels of *Minimo Vitale* in selected regions (LIT thousands per month)

| Region and year | Household size | | | |
|--------------------|----------------|-----------|-----------|-----------|
| | 1 person | 2 persons | 3 persons | 4 persons |
| Bolzano, 1990 | 456 | 722 | 874 | 1,026 |
| Basilicata, 1990 | 280 | 380 | 480 | 580 |
| Calabria' | 422 | 700 | 900 | 1,075 |
| Lombardia, 1989-90 | 380 | 630 | 810 | 968 |
| Liguria' | 533 | 743 | 954 | 1,139 |
| Sardegna, 1989 | 350 | 500 | 650 | 800 |
| Trento' | 420 | 682 | 857 | 1,032 |

Dates unknown

Source: Carbonaro, 1994, Appendix B

The table indicates that the minimum benefit varies, according to the different regions, between LIT 280,000 and 533,000 for a single person (US\$187---355 or £118- 149), and between LIT 580,000 and LIT 1,139,000 (US\$387-759 or £.243-477) for a four-person household.

Turning to intra-regional variations, communes with over 100,000 population spent nearly four times as much per head on assistance benefits and services in 1988 than did communes with populations of less than 10,000. A survey in 1986 of chief towns in Veneto (in the North of Italy), Lazio (in the South) and Puglia (in the Centre) revealed that those in Veneto spent more than those in Lazio and Puglia. The differences in expenditure on economic assistance, which more precisely identifies the topic of our concern, were extreme, varying from LIT 3.6 million in Vicenza in the North to LIT 0.2 million in Taranto in the South (LABOS, 1987). This pattern is the opposite of that predicted by the extent of low incomes.

Detailed figures for Torino in 1988 show that different groups of people also received different benefits. Elderly and disabled applicants had their income made up to social pension levels, with additions for rent. Pregnant women and lone mothers received the same benefits, but for a strictly limited period, usually a maximum of three months. All other claimants had their income made up to only one-third of the social pension level. Income thresholds for the receipt of services in kind (such as meals on wheels, home helps, or reduced gas bills) are usually considerably higher (Sarineno, 1990).

Other assistance: in-kind benefits

The National Health Service provides medical and specialist treatment, hospitalisation and prescribed medicines on a universal basis, with some qualifications. Contributions towards pharmaceutical products are means-tested. Since January 1993, a family with an income up to an additional LIT 85,000 for medical benefits, if family income exceeds certain limits, varying from LIT 30 million for a single person up to LIT 55 million for a four-person family. Above these income levels, the cost of medicine must be paid in full up to LIT 40,000 plus ten per cent of the sum exceeding

Numerous means-tested benefits in kind are provided by municipalities in Italy. They include exemptions for poor families from paying school taxes, vouchers for the purchase of school books, meals on wheels, home helps, reductions in gas bills, vacations for elderly people and so on. The income thresholds for these benefits, and especially for places in old people's homes and sheltered housing, are more generous than those for the *Minim() Vitale* (Saraceno, 1990).

Family allowances (*assegni familiari*) has been means-tested since 1986. However, the criteria are less strict than for other benefits. A family with three members was eligible for some benefit if total income was below LIT 36 million, and one of seven members if income was below LIT 45 million. These thresholds are updated every year in line with the rate of inflation.

Administration and the claiming process

In the national schemes for older and disabled persons, incomes are usually 'self-declared', to be backed up later by evidence including the income tax return. If an application for social or disability pension is refused, there is an appeal system, first to the Administrative authority and then to the judicial authority, which is regarded as a last resort. Trade unions provide information and legal advice in this area. The payment of social and disability pensions are divided into 13 and paid, through post offices or banks, every two months, with an extra month added to the sixth payment.

The administrative framework and procedures for local assistance are much more variable. Some communes administer assistance directly; others delegate this to the local health and welfare offices (fascicoli). Social workers play an important role in delivering local social assistance: they receive claims, make a diagnosis of the case, start the procedures for processing the claim and provide information, support and counselling. They have very considerable discretion in deciding who receives benefit and how much.

NGOs are significant in the provision of social assistance in Italy. The most important are connected to the Catholic church, and include *Caritas*, the *Comunità di S. Egidio* and the *Associazioni di Volontariato Filippino*. These organisations distribute food, clothes and shelter to groups of needy people (such as homeless people, drug users and alcoholics). Data from *Caritas* in Rome show that three-quarters of its revenue comes from the Commune and Province of Rome and the Region of Lazio - that is, from public funds. However, most of the help provided is in the form of services in kind, such as refuges at train stations, refectories, centres for immigrants and advice centres - very little is disbursed in cash.

13.4 Housing assistance

There are a small number of public housing places available to those in housing need and with low incomes. National and regional laws set out criteria and procedures for allocating housing to low-income citizens, but information on their operation in practice is sparse. Rents vary according to income, but regions can fix different thresholds. In 1990, the national average threshold was LIT 11 million. Otherwise there is no housing assistance in Italy.

1.3.5 Trends in expenditure on social assistance

Table 13.3 gives such information as is available on expenditure on the various forms of social assistance in Italy between 1980 and 1992.

Table 13.3: Expenditure on social assistance in Italy 1980-1992, annual prices in Italian Lire (billions)

| | 1980 | 1985 | 1990 | 1991 | 1992 |
|--|--------|---------|---------|---------|---------|
| Social pension | | 2,210 | 3,106 | 3,300 | - |
| Disabled pensions | | 3,889 | 8,348 | 8,728 | 9,636 |
| Veterans pension | | 1,616 | 2,775 | 2,462 | 2,557 |
| Local assistance | - | 2,887 | 4,265 | | |
| Total assistance | 4,409 | 10,602 | 18,094 | 14,490 | 12,193 |
| Total social protection | 65,027 | 163,156 | 282,572 | 312,147 | 341,503 |
| Social assistance as percentage of social protection | 6.8 | 7.0 | 7.5 | 7.0 | 6.7 |

Notes: Disabled pensions includes those for blind and deaf people
 Items do not exactly add up to total assistance figure since they are derived from different sources
 Local assistance = net expenditures of regions, provinces and communes (in billions of lire)

Sources: CNEL, 1993a; ISTAT, 1993
 IRS, 1992, Chapter 1, Table 5; Chapter 2, Table 1

Table 13.3 shows that the share of total social protection expenditure devoted to social assistance has been moderately high and fairly stable, rising somewhat in the 1980s but falling back in the early 1990s. Of the total in 1990, 80 per cent was devoted to categorical schemes for older people, veterans and disabled people. Moreover, of the one-fifth devoted to general assistance at the local level, the major proportion takes the form of in-kind services. In 1988, 38 per cent of total expenditure by communes on assistance took the form of monetary transfers to families. The remainder was spent on services for specific groups, such as homes for older people and kindergartens (LABOS, 1992; Ranci Ortigosa, 1993). Ministry for Internal Affairs figures (no date, Table 16, p.82) for 1985 show a still smaller share for 'allowances and subsidies' - only 18 per cent of general assistance spending, or six per cent of total assistance spending. These data exclude spending by *Caritas* and other NGOs, about which there is little information. Carbonaro (1994, Appendix A) arrives at somewhat higher estimates of total assistance, especially in later years. Between 1986 and 1992 he calculated the share of total assistance in GDP to be stable at around 1.9 per cent.

13.6 Trends in receipt of social assistance

Table 13.4 shows the numbers of people receiving assistance benefits between 1983 and 1992, and the average annual amounts of benefit received.

Table 13.4: Recipients of specific benefits and average annual benefit payments, 1983-1992

| | Social pension | | Disability pension | | Veterans pension | |
|------|----------------|------------------------|--------------------|------------------------|------------------|------------------------|
| | Number ('000) | Average benefit (LITm) | Number ('000) | Average benefit (LITm) | Number ('000) | Average benefit (LITm) |
| 1983 | 690 | 2.3 | 42 | 3.1 | 697 | 2.1 |
| 1985 | 697 | 3.2 | 683 | 4.8 | 694 | 2.3 |
| 1990 | 740 | 4.2 | 1,115 | 6.5 | 671 | 3.5 |
| 1991 | 731 | 4.5 | 1,092 | 6.9 | 652 | 3.8 |
| 1992 | nit | n/a | 1,145 | 7.3 | 623 | 4.1 |

Sources- ISTAT: INPS, 1993

The number receiving the veterans pension has, predictably, been falling, while the number receiving the social pension rose slowly and that of recipients of disability pensions expanded by two and a half times since 1983. The average benefit paid out also rose faster for disability pensions than for the other national assistance benefits. Of people aged 65 years and over, 8.7 per cent received the social pension in 1993, with a higher proportion (11 per cent) in the South.

It is difficult to obtain and collate data on recipients of local assistance benefits. The 1986 survey of the chief towns in three regions found an average annual expenditure per head on economic assistance of LIT 1.09 million (LAGOS, 1987). This was less than half the average veterans pension and less than a quarter of the average disability pension in that year (though it is a per capita figure). Other studies have found benefits lower than this by a factor of hundreds. For example, the *Commissione d'indagine sulla Povertà e l'Emarginazione Sociale* (1992) reported an average expenditure in 1984 by the communes on monetary transfers to families of a mere LIT 1,740 per head.

Saraceno and Negri (1994) provide some information on the recipients. In Torino, 90 per cent of households receiving *Minima Vitale* in 1988 were families with both adults unemployed. In Bologna, many recipients were recent migrants from the south, and 59 per cent of families were headed by women,

13.7 Policy issues

The incidence of poverty, as measured by the proportion of people with incomes below percentages of the median, is relatively high in Italy compared to the rest of Europe, though lower than in most English-speaking countries. The latest estimate, using data from the Luxembourg Income Study, of the percentages of persons with incomes below 50 per cent of median incomes shows Italy with 11 per cent, compared with 8.5 per cent in Britain, six per cent in Germany, 13 per cent in Australia and 18 per cent in the USA (Forster, 1994).

The Second Report, in 1992, of an official commission on poverty (*Commissione d'indagine sulla Povertà e l'Emarginazione Sociale*) found 15.4 per cent of all Italian residents in 1988 living in households with mean expenditure of less than half the average. The incidence varied between nine per cent in the Centre-North and 26 per cent in the South. Another study found a lower incidence of low income - nine per cent -- using a different equivalence scale (Rossi, 1993). However, it found a wider variation across regions (between two per cent in the North-East and 12 per cent in the South). A further report by the 1993 Commission on Poverty studied extreme poverty among immigrants, travellers, individuals suffering from mental problems and homeless people. It found half a million people in extreme poverty, of which 400,000 were immigrants (Saraceno and Negri, 1994).

Poverty was noted as a problem in Italy in the early 1980s, at a time when the first government Commission on Poverty was established. However the subject has never been the focus of particular controversy. There is no systematic evidence on the state of public opinion on the topic. Assistance benefits are largely invisible. One issue to cause concern has been the increased charges for medical benefits. Perhaps most prominent *have* been government attempts to halt the abuse of invalidity pensions in the *Me zogionw*. This abuse reflected high unemployment levels, the absence of benefits for those unemployed without previous jobs and inherent 'clientelism' of the system (that is, the exchange of benefits or favours in return for votes). Countermeasures against false claims for benefit provoked dramatic reactions, but this was not situated in a general debate about assistance and poverty.

The debate over youth employment and training schemes has been mentioned above. The political parties of the left have tried to extend these into a version of the French *Reveiw Minimum d in.Aertion (RMI)* but with no success.

Some trade unions are attempting to develop networks of information and organisation among unemployed young people and immigrants. Another set of social movements involved in the limited debate on poverty are the Catholic organisations. *Caritas* has gained public credit for its 'light but tangible' help against extreme poverty, and for its advice activities. However, none of these programmes (with the exception perhaps of those funded by the Eli Poverty Programmes) have the capacity to undertake long-term strategies to combat social exclusion or to provide ongoing benefits.

Three factors work against a greater role and effectiveness for the poverty lobby. The first is the public distrust of social programmes because of perceived corruption, waste and ineffectiveness in many programmes. This applies especially to explicitly discretionary assistance programmes. The second is the growing climate of opinion against groups such as vagrants and, notably, racial attacks on immigrants. Third is the likely cost of an effective minimum income guarantee. According to Carbonaro (1994), it would have cost LIT 15.400 billions in 1992 to bring all Italian citizens up to the level of the social pension plus allowances (using the official equivalence scale to calculate benefits for larger households). This is four times the outlay on the social pension in that year and would have added another one per cent of GDP to the social budget. Given the high cost, waste and deficits of the public sector, it has proved politically difficult to achieve reform in the absence of a more radical restructuring of the welfare system.

13.8 Recent and forthcoming changes

The income-testing of family allowances, introduced in 1988, marked a shift towards targeting, but not necessarily an extension of social assistance, since the income thresholds were and remain high. The latest reform of the health system, launched in 1993, requires increased charges for drugs and treatment, with some increase in means-testing as a result.

In 1993, the means test for the supplementary pension (*Integr•azione ai Minimo*) was changed from an individual to a couple basis. This has meant that many people, particularly women, have suffered a reduction in pension if their husband's income is too high for them to qualify.

The policies of the current administration towards social assistance are not known. Its main stated goal has been to reduce the rapidly rising public expenditure and fiscal deficit. This entails, in particular, attacking the ballooning cost of the Italian pension system by, *inter aim*, freezin^g the annual revaluation of the higher pensions and by raising the pension age faster than previously planned. There will also be a check on claims for disability insurance pensions, in order to reduce abuse. Both government and opposition parties agree on the need for a general revision of the pension system. Such reforms may impinge on the national assistance pensions and

may result in calls for more targeting or means-testing of benefits. However, it seems unlikely that a more uniform, national, rights-based social assistance scheme will be introduced in the near future.

13.9 Overall performance

There are few obvious strengths in the present Italian system of social assistance. Older and disabled people do have recourse to assistance benefits as of right, with means tests that are not particularly strict. There has been considerable investment in youth work and training schemes, but with little evaluation of their outcomes.

The major limitations are as follows:

There is no national income safety net. Some groups, such as the unemployed without previous *work*, young people, and those working in the informal economy, have no reliable recourse to any state benefits. Frequently they have to rely on family and/or charity.

- For those, like the elderly, who are entitled to a national means-tested assistance benefit, payments are low by comparison with average salaries and with the generous insurance pension levels. The social pension is worth about half the Italian poverty threshold.
- There are substantial regional and local differences in assistance benefit levels and payments.
- Italian bureaucracy does not have a record of efficiency, while the pervasiveness of corruption and clientelism further undermines the effective targeting of the limited benefits which exist on those in need.
- There is very little information - on take-up, effectiveness, rights, appeals and discretion - on which programmes of improvement can be based.

Chapter 14 Japan

14.1 Background

Demography

Japan is a small, populous and wealthy country. The population in 1993 was 124.8 million and density at 335 people per square kilometre is among the world's highest_ with implications for such social factors as housing costs. The birth rate has fallen sharply in recent -1- and the fertility rate is now around 1.5 - well below replacement level and (11.8) below the average for the OECD countries. Coupled with the longest life expectancy in the world, this has also resulted in the most rapid ageing of the population. The proportion aged 65 and over in 1950 was five per cent. By 1985 it was 10.3 per cent. and it is projected to increase to 14.5 per cent in 1995 and 25.5 per cent by 2020 (Ministry of Health and Welfare, 1992).

Despite these shifts, the household and family structure has been slow to change. The proportion of single parent households has remained at five per cent of the total since 1970 and the percentage of households containing ^e three generations has fallen slowly from 19 per cent in 1970 to 12.8 per cent in 1993 (Ministry of Health and Welfare, 1993). According to the OECD (1994d, Table 15), 65 per cent of people aged 65 and over live with their children.

Employment and the economy

Relative income per head at current exchange rates is second in the OECD only to Switzerland: at purchasing power parities it is fourth. Growth rates in GDP per head also remain above the Western norm. Unemployment is low and stable: the standardised rate for 1993 was only 2.6 per cent.....the lowest in the OECD despite the rather deep recession (OECD, 1994a). Labour market participation rates have traditionally been high, particularly for men, and they have been growing for women too. In 1991 the female participation rate was just above the OECD average of 60.5 per cent (OECD, 1993c).

Both social expenditure and public expenditure as a whole have traditionally been low. According to the most recently published OECD estimates, public spending on social security in 1991) (defined as 'social protection' minus health costs) represented only 6.8 per cent of GDP - less than half the average for the OECD countries (OECD 1994d, Table 1b). Tax levels are relatively high and rely more on corporate taxes and less on consumption taxes than the OECD average.

14.2 The social security system

History

The first major post-War reforms in the area of social security were in the early 1960s. Universal national pension and health insurance schemes were set up alongside existing schemes. The years from 1971 to 1973 witnessed significant social security reforms_ including free medical care for older persons, higher and indexed pensions and a modest child allowance scheme. Following a period of consolidation in the remainder of the 1970s, social security in Japan was retrenched in the 1980s in response to growing fears of the fiscal impact of a rapidly ageing population. In 1982 the government introduced a new scheme for the health care

of the elderly, which (among other measures) raised the patients' share of the costs with the aim of sharing the burden more fairly between younger generations and elderly patients. In addition the age of receipt of old-age pensions is being raised in stages from 60 to 65 years (Tabata, 1990).

For Esping-Andersen (1990). Japan is one of the 'conservative-corporatist' welfare regimes, with employment and status-related social insurance schemes and unequal levels of benefit. Against this, public expenditure levels are low and private provision in health, for example, is relatively high, suggesting a more liberal model. In Japan itself, the system is often described as a 'Japanese-style welfare society', with at least three distinctive features: a high reliance on family responsibility and care, an extensive system of corporate welfare for employees in the primary sector, and a high level of private household savings for old age and other contingencies (Uzuhashi, 1994a).

Most social security benefits are administered by the Ministry of Health and Welfare, except for Unemployment Insurance which comes under the jurisdiction of the Ministry of Labour. The major benefits at present are as follows (Ministry of Health and Welfare, 1993):

Old-age pensions: There is a two-tiered pension scheme. All citizens aged 65 and over with at least 25 years participation are entitled to a Basic Pension - amounting in October 1994 to Y65,000 per month (approximately US\$346 or £217 using 1993 purchasing power parities) - plus Additional Pension for dependants. The amount is reduced proportionately for those with between 25 and 40 years participation. Around one-third of the Basic Pension is financed by state subsidies. The second tier schemes, which are financed equally from employer and employee contributions, pay additional earnings-related pensions. The major scheme is the Employees' Pension Insurance (E.PI) which in October 1994 paid an average benefit of Y214,300 per month, including the Basic Pension (around US\$1,140 or £716). The other employees' schemes cover national and local government, private teachers and agricultural workers. Companies with more than 500 employees are permitted to 'contract out' of EPI and establish their own pension funds if they provide higher benefits than under the government-managed scheme. Most choose to do so, creating further variation in second-tier pension levels.

Health insurance: Medical provision is via national health insurance schemes which pay out directly to mainly private providers on a fee-for-service basis. Since 1959, the entire population has been covered: residents not covered by employees' health insurance plans are included in National Health Insurance. They cover the bulk of medical expenses, but co-payments are now substantial: in health insurance schemes the insured must pay ten per cent of total costs and 30 per cent for care provided to dependants, up to a ceiling of Y63,000 per month per insured person. The major employee schemes are Employees' Health Insurance and schemes covering seamen, national and local government employees and private teachers. The major sources of finance are equal employer and employee contributions, but state subsidies are also provided, especially to the NMI, where they amount to almost 50 per cent of the costs.

Employment finance: A centrally-managed Employment Insurance System covers most workers, excluding some categories of seasonal and day labourers. It pays a basic allowance to jobless workers equal to 60-80 per cent of previous wages, for between 90 and 300 days, depending on their age and the length of the insured period. It also provides a wide range of benefits and services, including Skill Acquisition Allowance, Lodging Allowance and other employment promotion benefits.

Child Benefit. A general child allowance is payable to all residents with dependent children. It is restricted to children under three years of age and is income-tested, though more than half of all families with children are entitled to receive it. In 1994 the income limit for a person with three dependants was Y3,589,000 per annum

(around US\$19,000 or 1x12,000). Public and private employees are entitled to a special allowance which provides the same benefit but up to a higher income ceiling - ¥6,250,000 in 1994.

14.3 Social assistance

introduction

Japan has a national social assistance system with clear legal codification. It consists of seven kinds of aid: Livelihood Aid, Education Aid, Housing Aid, Medical Care Aid, Maternity Aid, Occupational Aid and Funeral Aid. Of these, Livelihood, Housing and Medical Care Aids are the most significant.

- *Livelihood Aid* - for those who are unable to maintain a minimum standard of living. Payments cover clothing, food, transportation and other things necessary to meet the needs of daily life.
- * *Education Aid* - for those who are unable to maintain a minimum standard of living. Payments can cover text books, school lunches or other school goods or supplies necessary for compulsory education.
- *Housing Aid* --- for those who are unable to maintain a minimum standard of living. Payments can cover housing costs, the costs of repairs and other items necessary for the maintenance of a home.
- *Medical Aid* - for those who are unable to maintain a minimum standard of living. Payments can cover the costs of medical examination, drugs or other treatments, operations, hospitalisation, nursing care and transportation.
- *Maternity Aid* - for those who are unable to maintain a minimum standard of living. Payments can cover the costs of midwifery services for delivery, pre-natal and post-natal care and any required dressings.
- *Occupational Aid* - for those unable or unlikely to maintain a minimum standard of living, but restricted to cases where payments would help recipients to improve incomes or become self-sufficient. Payments cover funds or material for occupational enterprises, the acquisition of new skills or other things necessary for finding employment.
- *Funeral Aid* - meets costs of post-mortem examination, transportation, cremation or burial or other things necessary for a funeral service, for those who are unable to maintain a minimum standard of living.

Aid can be provided under any heading or under a combination of headings, according to the needs of the recipient. All are normally paid in cash, except for Medical Aid which is normally provided directly and in kind.

The historical development of social assistance

Before the Second World War, Japan had some public assistance schemes under the Poor Relief Law, Medical Relief Law and so forth. These schemes were integrated into the Daily Life Security Law (Old) enacted in 1946, which articulated the Government's responsibility to protect recipients. In 1950, the Daily Life Security Law (New) was enacted, which stipulated the rights of Japanese nationals to receive public assistance when in need.

Legislation and policy objectives

Social assistance is currently governed by the Daily Life Security Law of May 1950. Article I of the law lists as its purpose: to provide necessary assistance to all Japanese citizens in need, according to the degree of need, and thus guarantee their minimum living as well as encouraging them to become self-supporting'.

Administrative and regulatory framework

Although assistance in Japan has national regulations, administration is the responsibility of the Prefectural Governors and the City Mayors. Day-to-day administration is delegated to local authority welfare offices. Social workers carry out administration within a framework of statutes, memoranda and manuals issued by the Social Assistance Section of the Ministry of Health and Welfare.

Article 75 of the law lays down that three-quarters of assistance expenses are met by central government and the rest by local government. All costs are, in effect, provided from general taxation.

General conditions of entitlement

Social assistance is available to all citizens who cannot maintain the minimum standard of living, as laid down by the Minister of Health and Welfare, subject to a means test and the obligation to seek work unless exempted. There are no specific age limits for receipt of social assistance.

Residence and nationality

Japanese nationality is required for receipt of social assistance under the Daily Life Security Law. Non-Japanese nationals who have a licence of permanent residence, or long-term residence on the same terms as Japanese nationals, can also apply for help. They have no entitlement in law, but have in practice always received benefit on the same basis as Japanese citizens. Refugees are not entitled to receive social assistance, but those recognised as refugees under the Immigration and Refugee Recognition Act can receive assistance provided they satisfy the same conditions as Japanese nationals. About 30,000 foreigners, mostly Koreans, are entitled to public assistance at present.

Social assistance in Japan is not linked to any international agreements and is not portable.

Duration of benefit entitlement

As long as a claimant continues to be unable to maintain a minimum standard of living and meets other necessary criteria, benefits are available indefinitely.

Availability for work and labour market policy

Recipients of assistance are required to make full use of their personal abilities, including the ability to earn money, and there are no limits to the hours they may work. There is no special treatment in this regard of any particular group: 87 per cent of Japanese single parents are in employment, reflecting the availability of both work and child-care provision (both formal and informal). Decisions about whether an individual is capable of working are made at the discretion of local social workers, based on the opinions of doctors or commissioned welfare volunteers.

In order to provide evidence that a claimant has been looking for work, or of work that has been carried out, authorised documents and other objective evidence may be required. Claimants of social assistance are neither denied participation in, nor obliged to take part in, work training or special work schemes.

The benefit unit

The benefit unit is a wider concept in Japan than in many European countries. Social assistance is paid on the basis of application from the person requiring assistance, those legally responsible to support him/her, or other relatives that live with him/her. It is provided to the household as a unit. All children resident in the household can be included in a claim under certain conditions and they are counted as dependent until they graduate from (senior) high school.

The unit of assessment is normally the household -- that is, all those living *in* the same house and sharing living expenses, except in special circumstances, in which case individuals may be treated as separate units. According to Takashi (no date), 'a severe interpretation of the duties of relatives' extends to uncles/aunts and nephews/nieces'. Thus some co-resident adults who are not part of the immediate nuclear family of a claimant would not normally be able to claim separately. Where a woman is divorced she must consult with her ex-husband and if necessary obtain a statement from him that he cannot support the children. These requirements are based on the principles of 'taking the household as the unit' or 'the complementary nature of assistance' - basic principles of the Japanese public assistance system which are generally accepted. 'Separation of the household' can be approved if one member is hospitalised for a long time causing hardship to the other members, but this is a procedure with strict rules and limitations.

Income and assets tests

The application of the means test is prescribed in law and guidance, but certain marginal areas *are* left to the discretion of the welfare offices.

Social assistance is calculated by taking the 'minimum living expenses' and subtracting the 'income appropriation amount'. 'Minimum living expenses' are calculated by adding together entitlements to the seven separate types of aid. The 'income appropriation amount' is derived by taking average monthly income and subtracting 'necessary expenses'. The latter include commuting fees, social insurance contributions, a 'basic' deduction, a 'special' deduction and others. Virtually all kinds of income and resources of all members of the household are taken into account in the calculation of social assistance including child maintenance, except for partial earnings disregards which are articulated in guidelines of the Ministry of Health and Welfare. These are generally between 8,000 and 24,000 Yen per month (around US\$43-128 or £27- 80). Earnings are counted net of any tax and social insurance contributions.

Assets such as capital, property and savings are all counted as resources in the means test for social assistance, unless they are regarded as necessary to maintain a minimum standard of living. For example, an owner-occupied home is not counted as a resource if the applicant is actually living in it and it is not luxurious. The retention of consumer durables is allowed if the local social welfare office decides that they are necessary for daily living and in line with other households. The local social welfare office normally decides whether possession of some household item is in line with other households, according to whether the item is available *in* more than 70 per cent of households. For example, in certain areas, as air conditioners *have* become more common, welfare office have tended to include them as a 'necessary expense'. Welfare offices retain a degree of discretion in these areas in order that the system should be able to cope flexibly with changes of circumstances and respond effectively' (Abe, 1994). In the use of these indices of common possessions and the element of public acceptability which appears to be built into them, the Japanese system resembles in some respects the 'consensual' approach to poverty estimation pursued by those such as Mack and Lansley (1985).

Benefit levels

Payments are intended to provide 'maintenance of healthy and cultural living standards' (Article 3 of the Daily Life Security Law). There is no official poverty line. In 1964, the consumption level of working households receiving social assistance was estimated as about 50 per cent of that of the average working household. and in the following year the method of calculating social assistance was revised to reduce this gap. As a result, the proportion has risen from around 52 per cent in the late 1960s to about 60 per cent in the mid-70s and to 69 per cent at the end of the 1980s (Soeda, 1990). Benefit levels have thus improved relative to average income levels and have risen very substantially in real terms. In 1983 the Central Social Welfare Council stated that the assistance standards had

virtually reached a level which secured the necessary minimum standards, and since then they have been indexed to national average consumption.

The benefit levels are set nationally and are updated annually. However, they vary between local municipalities, which are now grouped into six bands by the Ministry for Health and Welfare, according to local variations in living standards. The monthly rates listed below are for a family of three persons - 33 year old male, 29 year old female and child aged four years. Benefits in the local authority band with the lowest rates are about three-quarters of those in the highest-rated band.

| Area Class | 1992 | YEN | 1993 |
|------------|---------|-----|---------|
| 1 | 149,966 | | 153,265 |
| 2 | 143,218 | | 146,368 |
| 3 | 136,469 | | 139,471 |
| 4 | 129,721 | | 132,574 |
| 5 | 122,972 | | 125,677 |
| 6 | 116,224 | | 118,780 |

Source: Oft) questionnaire response

Using purchasing power parities, the monthly rate in 1993 for an Area 1 authority was Y153,265, approximately US\$815 or £513.

Payments for all forms of social assistance (except Medical Aid) are in cash. If, however, payments are seen not to be achieving their intended purpose, they can be provided as benefits in kind.

Recipients of social assistance do not have to pay any insurance contributions, medical costs or pension insurance except when a recipient takes part in employee's insurance.

Other assistance-linked means-tested benefits

In addition to the social assistance benefits, there is also a non-contributory old-age pension (Old Age Welfare Pension), which is a transitional benefit paid to those aged 50 or over who were not included when the contributory National Pension Scheme was set up (Research Institute of Social Insurance, 1991). It is income-related rather than means-tested, and is not paid if the beneficiary or the person who should be supporting *hi/her* has an income above a prescribed level. In October 1994, this pension was Y399,600 per annum - less than half the Basic Pension level.

As indicated above, there is also a small, income-tested Children's Allowance restricted to children under three, with relatively high income cut-off levels. There is also a Lone Mother (Child Rearing) Allowance.

All other social security benefits are taken into account when assessing income for livelihood aid.

One-off and urgent payments

According to law, if a person is in urgent need and yet would otherwise not qualify for assistance *s/he* should not be denied assistance. There is no separate special provision if a claimant has a particular need that cannot be met from benefits. However, if there are unexpected special needs and it is necessary to meet them in order to maintain a minimum standard of living, temporary help can be provided through Livelihood Aid.

Fringe benefits and concessions

Other services are available to the recipients of social assistance. For example, claimants are entitled to exemption from 'inhabitants tax' (a form of local taxation) and can receive reduced fares on Japanese railways when commuting.

Administration and the claiming process

In order to make a claim for social assistance a person must apply to a welfare office in the relevant city, town or village. There is no system of identity cards for the receipt of social assistance in Japan at present. Case workers make regular home visits to claimants in order to check their circumstances and to offer necessary guidance. There is a strong social work element in handling social assistance claims: home visiting, counselling and guidance both while claiming and after acceptance of claim is common practice. Recipients are also obliged to comply with the directions of their welfare officer (Takashima, undated).

The renewal of a claim is not necessary as long as the conditions of the claimant do not change. Payments are made monthly, in cash at welfare offices or by credit transfer into a claimant's bank account. In cases of urgent need, payments can be made before a full application has been submitted. Claimants must report any changes in circumstances, including income, expenditure, other living conditions, address and family composition to the welfare office.

There is a 30 day limit laid down in law for assessing claims. Claimants dissatisfied with the decisions of the welfare office can ask for a local review, and can also appeal directly to the Prefectural Governor within 60 days of the original decision. The Prefectural Governor will issue judgement within 50 days. This is regarded as a speedy mechanism for redress. If a claimant is still dissatisfied with this decision, s/he can appeal again to the Minister for Health and Welfare. As well as using the administrative appeal process, claimants can also challenge decisions in the courts, though this is likely to take much longer.

Any overpayments of benefit are recoverable, either by deducting the amount from succeeding payments, or by ordering repayment. There are cases when all or part of an overpayment is waived. All members of the household receiving social assistance are liable for the repayment of overpayments. Those who have received benefit payments by fraudulent or wrongful means are liable to punishment under either the Daily Life Security Act or criminal law. This provides for a maximum of three years imprisonment or a fine of up to Y50,000.

The provision of benefits in kind, or of service-related benefits, can be sub-contracted to designated agencies called 'protective institutions'. These may only be established by Prefectural or municipal governments, social welfare organisations or the Japanese Red Cross Society. There are five separate sorts of protective institutions:

- Relief institutions - to accommodate people requiring assistance who are unable to help themselves due to serious physical or mental disabilities and to provide them with Livelihood Aid.
- Rehabilitation institutions - to accommodate people requiring care and guidance for physical or mental reasons and to provide them with Livelihood Aid.
- s Medical protective institutions - to provide medical care benefits for those in need of medical care. Their duty is to take charge of, 'with kindness and good care', the medical care of recipients of Medical Aid, in accordance with the guidelines of the Minister for Health and Welfare.
- e Work-providing institutions - to provide the necessary opportunities and facilities for finding employment or acquiring new skills, where the employability of recipients is restricted for physical or mental reasons or because of family circumstances, and to encourage recipients to become self-supporting.
- Lodging protective institutions - to provide Housing Aid for homeless families.

The designated agencies are subject to review and checks from the Ministry and Prefectural government and their decisions can be challenged in law. They are reimbursed through subsidies from the Ministry and Prefectural government. Repayment of these subsidies can be ordered if the conditions for receipt have been violated. If they were initially received through fraudulent means, if the protective institution has taken part in any profit-making practices, or if the institution has broken the law or any orders issued in accordance with the law.

The role of non-governmental organisations (NGOs) in social assistance

Apart from the protective institutions described above, NGOs do not take part in administering the public assistance system or providing cash help. In general NGOs do not appear to play an important role in this area, either in delivering benefits and services or as advocacy or pressure groups.

14.4 Housing assistance

Housing Aid covers housing deposits, rent and necessary repair costs. If the general assistance standard does not meet needs, a special standard is applied. The maximum amount of Housing Aid for a household in the Tokyo area in 1994 was ¥64,900 (around US\$345 or £217) a month.

14.5 Trends in expenditure on social assistance

Table 14.1 shows expenditure on social assistance and social security as a whole between 1980 and 1992.

Table 14.1: Expenditure on social assistance and total social security, 1980-92, annual prices

| | e'en (trillions) | | | | |
|---|------------------|------|-------|------|-------|
| | 1980 | 1985 | 1990 | 1991 | 1992 |
| Public assistance | 0.96 | 1.08 | 1.11 | 1.07 | 1.06 |
| Social security | 8.24 | 9.57 | 11.67 | 12.2 | 12.78 |
| Public assistance as a % of all social security | 11.6 | 11.3 | 9.5 | 8.8 | 8.3 |

Note: This table uses figures for social security expenditure provided by the Japanese government, which are based on a more restricted definition than the OECD figures used in Volume One, Table 2.5, and thus arrives at a substantially higher figure for social assistance as a share of social security.

Sources: Ministry of Health and Welfare, 1992.
Social Development Research Institute (SDRI), 1992.

Table 14.1 suggests that expenditure on assistance since 1980 has fallen steadily as a proportion of all social security spending. This is unique in the OECD area. It results from a combination of improvements to other social security measures and the generally favourable economic situation. Total assistance expenditure in 1991 was equivalent to around US\$5.6 billion or £3.5 billion. As a proportion of GDP it was an estimated 0.24 per cent.

14.6 Trends in receipt of social assistance

Table 14.2: Recipients and beneficiaries, 1980-1992

| Fiscal year | Households receiving assistance | People receiving assistance | SA recipients as a percentage of total population |
|-------------|---------------------------------|-----------------------------|---|
| 1981 | 747 | 1,427 | 1.22 |
| 1985 | 781 | 1,431 | 1.18 |
| 1991 | 624 | 1,015 | 0.82 |
| 1991 | 601 | 946 | 0.76 |
| 1992 | 586 | 898 | 0.72 |

Source: Ministry of Health and Welfare, 1993

Table 14.2 shows that, unlike most countries in the OECD, Japan has a decreasing population of recipients of social assistance. Table 14.3 gives separate figures for all the main forms of aid in 1992.

7b/c 14.3: Recipients of assistance. 1992, by main type of aid

| | |
|--------------|-------|
| Livelihood | 0.78m |
| Housing | 0.65m |
| Educational | 0.10m |
| Medical care | 0.66m |

Source: Ministry- of Health and Welfare. 1992

This shows that *Housing* and *Medical Aid* are the two other important components of public assistance in Japan. The last available figures which show how these forms of assistance relate to each other are from 1983 (Soeda, 1991). They show that the total number receiving any form of aid in that year was not much higher than the number receiving livelihood assistance. In other words there is considerable overlap in the receipt of benefits.

Table 14.4 gives a breakdown, by family type, of recipients of assistance in 1993.

Table 14.4: Households receiving assistance. 1993, by main claimant group

| | Number | Per cent |
|--|-----------|----------|
| Elderly households | 244,710 | 43.3 |
| Fatherless households | 52,750 | 9.3 |
| Households with sick or disabled members | 225,950 | 39.9 |
| Other households | 42,230 | 7.5 |
| Total | 565,6640) | 100 |

Notes: Elderly households -- composed only of men over 65 and women over 60 (but also including a small number of people under the age of 18)

Fatherless households -- composed of women between 18 and 60, without a husband and with dependent children under 18

Households with sick or disabled members -- those who cannot work because of mental or physical disabilities, injury, disease or if hospitalised

Source: Ministry of Health and welfare. 1994

The table shows that by far the largest proportion of recipients are older and sick or disabled people. Lone parents made up just under ten per cent of all recipient households. In July 1993 there were a total of 159,152 children in families receiving social assistance.

Take-up

There has been little public interest in this issue and there appears to have been little recent research. According to Abe (1994) the right to assistance is well known and claiming presents no particular difficulties. If the person in need cannot apply for assistance because of illness or other reasons, the local welfare office can provide *ex officio* assistance. Uzuhashi (1994b) has suggested that some stigma exists in receipt of social assistance, but there is no evidence as to its extent.

14.7 Policy issues

Between 1974 and 1983, the gap between the living standards of social assistance recipients and the rest of the population narrowed significantly (Soeda, 1990). We are not aware of any recent comparative studies of poverty which include Japan. In general, there has been little debate or concern in Japan about poverty or social assistance and Abe (1994) has suggested that the benefit levels are generally regarded as adequate.

In 1980 there was an increase in media coverage of cases of unlawful receipt of social assistance. Since this may have undermined public confidence in the system.

a Ministry circular was issued in 1981 to promote more careful administration, more intensive scrutiny of individual cases and strengthening of measures of prevention against unlawful receipt.

The key policy issue, which is likely to become even more salient in decades to come, is the ageing of the Japanese population. Uzuhashi (1994a) has argued that the Japanese-type welfare model is already becoming unsustainable. There has been some discussion of separating off elderly and disabled people *from* social assistance and providing them with universal benefits.

14.8 Recent and forthcoming changes

According^g to official sources, there have been no significant changes in Japanese social assistance provision in recent years, nor are there any current proposals for change.

14.9 Overall performance

Social assistance in Japan is provided through a national, regulated system. A detailed explanation of rights is given on the application, and the appeal process is relatively fast. Benefit levels are generally regarded as adequate and variation of benefit levels between areas is thought to be appropriate as it reflects differences in the cost of living. Service-related benefits, notably medical care and housing, are an important element of assistance. A perceived strength of Japanese social assistance is that it is provided at local social welfare offices alongside other social services. If the applicant is not eligible for social assistance, some other services may be available.

There is no recent evidence on the level of take-up of assistance, though some commentators have suggested that it may be relatively low (Sohara, 1985). Gould (1993) and Uzuhashi (1994b) refer to negative feelings about claiming assistance as having an inhibiting effect on take-up, but again there is no evidence. Japan is somewhat unusual in that applicants can be required to rely for help to a large extent on other relatives before assistance can be received, but local officials retain considerable discretion in this respect.

Chapter 15 Luxembourg

15.1 Background

Demography

Luxembourg is the second smallest country in the study (after Iceland), with a total estimated population in January 1994 of 401,000 (Eurostat, 1994a). In 1993 it was the only country in the European Economic Area to record a significant increase in the fertility rate, though this remains only just above the average at 1.7. Net inward migration was also proportionately higher than in any other EEA country, contributing to a 14.3 per cent increase in population during 1993.

In line with trends in other EU countries, divorce and separation have been on the increase, and the proportion of families with children (under 15) headed by a lone parent is estimated to have grown from nine per cent in 1981/2 to over 12 per cent in 1990/91 (Eurostat, 1994b).

Employment and the economy

Luxembourg is also one of the most economically successful countries in the study. The economy grew faster in recent years than in any other EU country, though OECD projections have suggested that growth may falter over the next few years, leading to some pressures on public expenditure (OECD, 1994b).

Employment in manufacturing, particularly among men, has reduced as a result of the recession, but this has been partly offset by expansion in the financial sector. Unemployment reached record levels in early 1994 of over three per cent (Eurostat, 1994c). By European standards this was still remarkably low and represented only about 4,600 people. In 1992 17.6 per cent of those registered unemployed had been out of work for a year or more, well below the OECD average of 28.6 per cent and also easily the lowest percentage in the EU (OECD, 1994a). The overall participation rate in 1991 was 61.5 per cent, but female participation is particularly low. In 1991 the rate for women was only 44.8 per cent (the second lowest in the OECD after Spain), though the trend shows a gradual increase. OECD figures suggest that participation by men is declining, down from over 93 per cent in 1973 to 77.7 per cent in 1991.

Luxembourg has the highest per capita GDP of any OECD country in Europe and this is reflected in statistics on per capita ownership of cars and other consumer goods (OECD, 1994b).

15.2 The social security system

Historically, social security in Luxembourg has been strongly influenced by German law. It is therefore predominantly a Bismarckian social insurance system, organised along sectoral and professional lines. Numerous separate insurance schemes exist for different categories of workers and self-employed people. Over the years, family allowances and unemployment benefits have, however, lost much of their separate professional nature and become more generalised. There has also been a tendency for the provisions of the different insurance schemes to converge (Dieters, 1993).

Political and legal responsibility for all the mutual insurance societies is held by the Minister for Social Security, while family benefits and social assistance come under the Minister for Family Benefits and Solidarity. Unemployment benefits are the responsibility of the Minister of Employment. A supervisory body within the Ministry for Social Security (the *Inspection G n rale de la S curit  Sociale*) oversees social security as a whole.

In summary, the main social insurance benefits, as at the end of 1994, include:

1. *Retirement Pensions*

| | |
|------------------|---|
| Old Age Pension | from 65 years for all those having made contributions for at least 120 months |
| Early Retirement | from 57 years for all those having made full contributions for at least 480 months, or 60 years for people counting periods of invalidity, child rearing for a specified number of years, or unemployment after leaving school. |

The pensions consist of a flat-rate element plus an earnings-related supplement. The flat-rate element depends on the number of contribution years, up to a maximum of 40, while the earnings-related element is based on 1.78 per cent per annum of the earnings on which contributions have been made, adjusted to take account of inflation.

2. *Survivors' Benefits*

These are based broadly on the same conditions as for retirement pensions. The surviving spouse of a pensioner (or a person who has made contributions towards a pension for at least 12 months during the three years before *s/he* died) is entitled to a Survivor's Pension. This can apply also to an ex-spouse who has not remarried and to other specified relatives, including children.

3. *Sickness and Invalidity Benefits*

Sickness Benefit is payable at 100 per cent of previous earnings (up to a maximum limit for private sector white-collar workers), for up to 52 weeks. For the self-employed, entitlement starts only from the fourth month of incapacity.

People officially judged still to be incapable of carrying out their customary work after the expiry of the 12-month Sickness Benefit period can, if they have made insurance contributions for at least 12 months in the three years before becoming ill or disabled, receive an Invalidity Pension. This, as with retirement pensions, consists of flat-rate and earnings-related elements and has both a maximum and a minimum level. People judged at least 50 per cent incapable of work can also receive additions for any dependent children. Recipients under the age of 50 must be prepared to participate in any rehabilitation or retraining schemes offered.

4. *Medical care*

Most medical costs are met through the sickness and maternity insurance schemes, but in some cases people are required to make personal contributions. For example, a 20 per cent contribution is required for the first visit to a doctor in any one month; thereafter the tariff is reduced to five per cent. Prescription charges come in three categories: 'priority' medicines are fully refunded; 'normal' prescriptions incur a charge of 20 per cent of the cost, and others must be paid for in full. No contributions are required for hospital treatment, but there is a small charge towards the residential costs of staying in hospital. Dental charges range from five to 20 per cent of costs, depending on the type of treatment.

5. *Fannin and 'laternac Benefits*

Maternity Benefit is payable from the sickness and maternity insurance fund if the claimant has made contributions for at least six months before the *birth* of the child. Payment is at 100 per cent of previous earnings, for eight weeks before and eight weeks after the birth, but only if the claimant is not already covered by a contractual maternity agreement with her employer.

There is a non-contributory Maternity Allowance which covers the same time period as Maternity Benefit. The amount of this allowance is reduced by any Maternity Benefit or pay received.

Child Benefit (*Allocation Familiale*) is paid at different rates for the first, second and third child and then at the same rate for any subsequent children. There are also age-related increases at the age of six and 12 years. Disabled children under 18 receive a special additional allowance, *which* can be continued beyond this age if they are not able to provide for themselves.

There is also an education allowance available to a parent at home looking after one or more children under two years of age. If the recipient takes some paid employment, the benefit becomes income tested against the joint income of the recipient and spouse.

6. *Unemployment Benefits*

Three kinds of unemployment are recognised: full, seasonal and partial. The conditions of entitlement for the first are that the claimant must:

- be voluntarily unemployed
- be resident in Luxembourg
- be between the ages of 16 and 64
- not be in receipt of a retirement, old age or invalidity pension
- Ⓜ be available for work and prepared to accept any appropriate employment
- Ⓜ sign on at the employment exchange
- participate in any specified training.

Benefit is paid for a maximum of 365 days in a given 24-month period. For people over the age of 50, benefit can last for a further 6-12 months, depending on their record of contributions.

Benefit is paid at a maximum of 80 per cent of previous gross pay, or 85 per cent if the unemployed person has one or more dependent children, up to a ceiling of 250 per cent of the relevant minimum wage. If unemployment lasts more than 182 days in a 1.2 month period, this ceiling is lowered to 200 per cent. The benefit may be reduced proportionately if the *person* has had a combination of full- and part-time work. If the claimant's spouse or partner is working, and has earnings of more than *two* and a half times the minimum wage for people with dependent children, benefit is reduced by half the difference between the earnings and this ceiling. If unemployed people have some earnings, they must report them. Earnings amounting to more than ten per cent of the maximum benefit are deducted. They must also report any other income, which is deducted from benefit if it exceeds one and a half times the relevant minimum wage.

Students completing full-time education and becoming unemployed can also receive Unemployment Benefit if they are under 21 (or up to 28 in some circumstances). Normally there is a waiting period of 39 weeks before benefit is payable, though in some cases this is reduced to 26 weeks. Benefit is set at 70 per cent of the minimum wage for a young, unqualified worker, or 40 per cent for 16-17 year olds who have not passed an apprenticeship exam.

Self-employed people can claim benefit if they have given up their business because of financial difficulties, as long as they have made at least five years contributions (reducible to one year in cases of special hardship). Benefit is set at a maximum of 80 per cent of the earnings on which they last paid insurance contributions, and the same variations apply as for employees. The minimum benefit is 80 per cent of the relevant minimum wage.

Because of the limited duration of Unemployment Benefits, a relatively small percentage of those unemployed at any one time in Luxembourg receive insurance-based payments. In 1990, this was estimated as just under 20 per cent, the lowest percentage in the EU countries after Portugal and Greece (Reissert, 1993). On the other hand, Reissert also estimated that in 1989 Luxembourg had the highest replacement rates at the beginning of the unemployment spell and the third highest for all household types after two years.

Expenditure on social protection (excluding health costs) has been estimated as 22.7 per cent of GDP in 1991, compared with an EU average of 16.9 (see OECD, 1994d, *Table 1c*).

15.3 Social assistance

Introduction

Means-tested social assistance in Luxembourg currently comprises five main elements:

- *Revenu Minimum Garanti* (RMG)
- *Allocation pour Personnes Gravement Handicappes* (Severe Disability Allowance)
 - o *Allocation de Chauffage* (Heating Allowance)
 - o *Allocation de Soins* (Care Allowance)
 - o *Aide Sociale* (Supplementary Assistance)

The RMG is the main generalised income support benefit, and the other, categorical, means-tested benefits are largely complementary or subsidiary to it. In addition, a benefit offering compensation for high living costs (*Allocation Compensatoire de Vie Chère* or AVC) which preceded the RMG, though no longer available to new applicants, is still being paid to some claimants who were receiving it before the RMG was created.

The development of social assistance

Until the 1960s, social assistance in Luxembourg was based on the parish relief system established in a series of laws concerning the control of beggars (1726), the establishment of local *bureaux de bienfaisance* (benevolent offices) (1843, 1846), and the provision of discretionary outdoor relief based on registration with the local municipality (1897). The latter law is still in operation and provides the basis for the discretionary supplementary assistance which is described later.

This orientation began to change in 1960 with the creation of the *Wands National de Solidarité* (FNS), which marked the beginning of a shift from discretionary poor relief to national assistance. Initially the FNS played only a minor role in guaranteeing minimum 'solidarity' pensions to older people, or others not able to work, who were not fully covered by insurance pensions. In 1975 the high cost of living allowance was introduced, administered by the ENS. This gave a means-tested benefit to people whose income, from whatever source, was less than the relevant minimum wage. The AVC was replaced by the *Revenu Minimum Garanti* in 1986, but people who were not entitled to an RMG supplement, or who would have lost out in the transition, continue to receive it.

In 1979, a further categorical means-tested payment was introduced for people (adults and children over three years) who are disabled (before the age of 65) to the extent that they need constant help from another person (*Allocation pour Personnes G^{as}°emenr Handicappes*).

The heating allowance followed in 1983. This is still in force, but has largely been subsumed into the RMG and the numbers receiving it have dwindled from over 3,000 in 1987 to only 120 in 1992.

The RMG grew out of studies mounted in the late 1970s and early 1980s on behalf of the Government's Economic and Social Council. It became evident from comparative research carried out as part of the first EC Poverty Programme that genuine and persistent poverty existed in one of the most affluent countries of the Community. These studies contributed to a political process which had gradually been moving in the direction of a universal guaranteed income. The law of July 1986 replaced the solidarity pensions and the AVC with a guaranteed minimum income (RMG), and created the local Social Action Services (*Services d'Action Social*), which play a key role in co-ordinating service provision across departments and implementing the measures introduced in law.

The key differences between the RMG and the categorical allowances which preceded it are, first, that the former is broadly universal (though with some limitations), aiming to provide a social minimum whatever the cause of need and, secondly, that the conditions of entitlement are less restrictive.

The most recent addition to the list of means-tested benefits is the care allowance (*Allocation de Soins*), introduced in 1989. This is payable to someone looking after a person aged over 65 who needs constant care.

Legislation and policy objectives

The main body of legislation covering social assistance is the RMG law of July 1986, modified by subsequent regulations. The policy purpose of the RMG is to ensure for all citizens a decent life by guaranteeing them a minimum means of existence' (Ministry of Social Security, 1993). Since 1988, approximately three per cent of all households in Luxembourg have *been* in receipt of the RMG at any *one* point. The total number of beneficiaries, including all the members of the benefit units, was 6,490 at the end of December 1992, which represented approximately 1.6 per cent of the total population. At the end of 1992 there were a further 2,414 people receiving severe disability allowance. Although the numbers have grown steadily since the benefits were introduced, it is clear that social assistance remains a small and residual element of the social security system as a whole. Data on benefit recipients are discussed in more detail below.

The next sections are devoted mainly to the structure of the RMG, while the severe disability allowance and the other means-tested benefits are described more briefly later.

Administrative and regulatory framework

The RMG is nationally regulated and provides a legal right to benefit, subject to a range of conditions. Overall responsibility for anti-poverty measures is held by the Minister for Social Security, but the *Fonds* which administer the RMG come under the Minister for the Family and Solidarity. Responsibility for the assessment of claims is shared between the FNS and local authority social welfare offices in a rather complex arrangement which is discussed further below. There is also a series of inter-ministerial advisory, co-ordinating and regulatory bodies in the field of social action.

General conditions (of entitlement)

The main general conditions of entitlement are that assessable resources must be below prescribed limits, and that unless exempt the applicant must be available for work and prepared to participate in any required measures to assist a return to work.

The minimum age for access to the RMG is 30. However, there are exceptions for people with one or more dependent child, people who cannot work because of illness or infirmity and people looking after an older or seriously ill person who needs constant care. Many young people are nevertheless excluded- though some may be able to get Unemployment Benefit, as mentioned earlier. This age restriction has been the subject of some debate and criticism, especially from voluntary sector organisations working with disadvantaged groups. *and* there is increasing political support for lowerin^g the age threshold.

Residence and nationality

Claimants must have been officially resident in the territory of the Grand-Duchy for at least ten years out of the previous 20 and registered with a local authority. These comparatively restrictive conditions mean that several groups of people may be excluded from benefit, including homeless people or others with no permanent dwelling: refugees, asylum seekers and migrant workers (including citizens of other EU countries unless they fulfil the conditions): and Luxembourg residents who have spent long periods abroad. There has been some discussion about new legislation to recognise the problems facing refugees and migrants in particular.

Partly as a consequence of these restrictions, the proportion of recipients who are not Luxembourgish citizens (19 per cent) is lower than that in the population as a whole (Wagner, 1993a).

There are no reciprocal agreements with other countries for social assistance and benefits are not portable.

Duration of benefit entitlement

There is no time limit for receipt of benefit as long as the conditions continue to be fulfilled.

Entitlement to the RMG is in principle conditional on being available for work and participating in 'insertion' agreements. In practice, many categories of people are exempted from this condition. These include:

- Ⓢ adults unable to work and make a living because of sickness or invalidity
 - people aged over 60
 - a person bringing up a child aged less than six years
 - a person bringing up a child aged between six and 15 years where it is against the interests of the child for the parent to be obliged to be available for work (this was changed in November 1993 - before then no lone parents with children under 15 had to be available for work)
- ☐ a person bringing up a sick child
 - an adult caring for a seriously ill person who needs constant help (this provision was also tightened up recently -- previously it applied to all those caring for an older or sick person).

In some circumstances people over 50 are not required to be available for work if the employment exchange has not offered them any suitable employment for three years. There are no limits to the number of hours a person can work and claim benefit as long as this does not interfere *with* their being available for full-time

work if it is offered. This also applies to people working in self-employment. The categories of people listed above are also excused participation in the 'complementary social measures' (including insertion agreements), except for the first category and those aged over 50.

In fact the vast majority of beneficiaries are not covered by the requirement to be available for work. At the end of December 1992, this represented 91 per cent of all RMG beneficiaries (including children), and 73 per cent of adult claimants (Table 15.1).

Table 15.1: Beneficiaries of the RMG not required to be available for work at 31/12/92, by reason (percentages)

| Reason | |
|---|----|
| Age (>60 or >50) | |
| Being a dependent child | 27 |
| Permanent or temporary incapacity | 24 |
| Bringing up a child/caring for an adult | 10 |
| On training scheme | 5 |
| Other | |

Source: Inspection Generale de la Seem - O 1994a

Since this date, the proportion of exemptions may have decreased because of the 1993 changes referred to above.

Within three months of first receiving benefit, non-exempt recipients are supposed to agree an integration contract with the *Service National D'Action Sociale* (SNAS). The contract should take into account the whole range of factors affecting the person's social or employment-related integration, including health, finances, skills and educational needs, and living conditions. Claimants can be asked to participate in training or re-skilling, temporary work placements and social employment with local authorities, community and other non-governmental organisations. Social employment can bring payments in addition to benefit received under the RMG.

There are sanctions for non-compliance with work availability or re-integration programmes. Since February 1993, benefit can be withdrawn for up to 12 months from a recipient who has had a temporary suspension three times for non-compliance with work or integration activity. Similarly, benefit can be withheld where it is judged that a claimant left work voluntarily.

According to Wagner (1993a, 1994), there is little evidence about the effect of these re-integration programmes, but what there is suggests that they are not particularly successful as yet. Participation by recipients in training is low and few get work placements after taking training courses. Community^y service options are more popular, but few then move on into the labour market proper. People tend to stay for long periods in the community service sector, creating a new parallel labour market. The number of re-training placements undertaken in 1992, for example, was only 92, and the number of people temporarily placed on work schemes in the community was 429.

There are no specific arrangements addressed to the needs of lone parents, whose numbers on RMG have increased since 1988 by an annual average of 14 per cent. It has been suggested that the creation of the RMG, with benefit levels close to minimum wages, together with educational allowances for women mainly caring for children and the low level of child-care provision, may be linked to a drop in labour market participation by women with children.

The benefit unit

The benefit unit is the household, defined as people living together under the same roof and sharing expenses. In principle adult non-dependants would therefore be

considered part of the benefit unit. However, the law was amended in 1989 to take account of certain situations where people without resources of their own are living in households which are not entitled to or do not wish to claim RMG. If people are living in their children's household, or are unable to work because of illness or infirmity and are living with a parent or sibling, they can be assessed as a separate household. Homeless people living in hostels or therapeutic communities are also normally counted as separate benefit units.

For benefit purposes, any children living in the household for whom the claimant is responsible are included within the benefit unit, and they are defined as dependent for as long as family allowances are payable (normally up to 18, or 25 in full-time education).

Income and assets tests

Gross earnings and other income and assets of the claimant and all other people in the household are counted in full, including rents, dividends and interest, maintenance from a former spouse or partner (only for the adult), education and maternity benefits, with the following exceptions:

- *fully disregarded*
 - payments from charities or private benevolent funds
 - child benefit and certain other family benefits
 - severe disability benefit and care allowance
 - children's earnings up to the relevant minimum wage
 - the value of a home belonging to the claimant
- *partly disregarded (up to 20 per cent of the total household benefit)*
 - earnings from work (other than children's earnings)
 - pensions and annuities
 - accidental injury payments
 - sickness benefit
 - maternity benefit
 - unemployment benefit
 - maintenance paid for a child or parent
 - training and enterprise allowances

The concept of *solidarite familiale* is also important. This means that benefits in kind and other services rendered to a claimant by other members of a household can be counted as imputed income. This applies where the other household members are not receiving the RMG and their income is not counted as part of the claimant's resources (usually in the case of single claimants living with family or friends). Under these procedures, known as the *forfull entretien*, a minimum deduction from monthly benefit of FLUX 5,152 (in 1992) - around US\$ 130 or £82 - is made, if people in the household in which the claimant lives earn only the minimum wage. The deduction is then increased by 20 per cent of the amount by which the household's earnings exceed the minimum wage, and can thus in some circumstances reduce substantially the amount of benefit received.

Income from capital is determined by converting the total sum into a life annuity, using multipliers laid down in regulations. There are detailed rules concerning property, shares and other forms of capital and some disregards can be applied.

Apart from these disregards the withdrawal rate of benefit is 100 per cent.

Guaranteed maintenance: Like a number of other countries, Luxembourg has a system aimed at helping people who are entitled to maintenance from a liable relative but have difficulty obtaining it. Difficulties caused in the past by maintenance being taken into account for benefit purposes but not actually received led to a change in regulations in 1993. Currently, where maintenance has been set by a court it is counted as income (subject to any relevant disregards), and

if it is not paid the claimant can ask for the payments to be met through benefit. The FNS will then take on the responsibility for reclaiming the money from the liable person. If no sum has been set by a court, the FNS will fix the amount due and has the power to recover the payments. These facilities appear, however, to be used in only a small number of cases. According to figures from the FNS, the number of cases has averaged only 117 per year since 1987 (Wagner, 1993a).

Benefit levels

The scale rates for the RMG are set nationally and there is no local variation. In setting rates for the RMG when it was introduced, the Government chose not to use a minimum income standard, but to fix the rates in accordance with the structure of existing social security benefits and the minimum wage structure. Rates are set by decisions of Parliament, but can be increased (or decreased) within a margin of 25 per cent by statutory order (*Règlement Grand-Ducal*), taking into account the opinion of the Council of State and with the agreement of the parliamentary *Commission de Travail*. Rates are indexed and adjusted for cost of living increases according to indices used for the wages of civil servants.

The payment unit is the household and the rates are based on different household formations.

Tables 15.2 and 15.3 show the monthly rates on the first of March 1993 for the individual members of a household and for the main different household types.

Table 15.2: Monthly RMG rates for individuals at 1/3/93

| | FLUX | \$ | £ |
|----------------------------------|--------|-----|-----|
| First adult | 28,016 | 699 | 439 |
| Second adult | 14,008 | 349 | 219 |
| Subsequent adults | 8,018 | 200 | 126 |
| Child addition (per child) | 4,126 | 103 | 64 |
| Disability/invalidity supplement | 13,143 | 328 | 206 |

Note: Dollar and sterling currency equivalents are based on 1993 OECD purchasing power parities

Source: Wagner, 1993a

The scales represent an equivalence ratio of 1:0.5:0.29 for non-disabled adults and 0.15 for children, though this changes somewhat when family allowances and housing additions are included.

Table 15.3: Monthly RMG rates for main household types at 1/3/93

| | FLUX | \$ | £ |
|------------------------------------|--------|-------|-----|
| Single adult | 28,016 | 699 | 439 |
| One adult + one child | 32,142 | 802 | 503 |
| One adult + two children | 36,268 | 904 | 568 |
| Two adults (married or cohabiting) | 42,024 | 1,048 | 658 |
| Two adults + one child | 46,150 | 1,151 | 723 |
| Two adults + two children | 50,276 | 1,254 | 787 |
| Three adults | 50,042 | 1,248 | 784 |
| Three adults + one child | 54,168 | 1,351 | 848 |
| Three adults + two children | 58,294 | 1,454 | 913 |

Source: Wagner, 1993a

There is a deduction from the above rates of 2.5 per cent for contributions towards health insurance.

Table 15.4 gives some examples of total net income for three family types, assuming they have earnings up to the maximum available taking account of the relevant disregards. Housing costs are not included.

Table 15.4: Total monthly net Income for three RMG-recipient households with maximum permissible earnings

| Household type | Net RMG | Family allowance | Disregarded earnings | Total Flux | Total U'SS | Total f |
|---------------------------------|---------|------------------|----------------------|------------|------------|---------|
| Single person | 27,316 | | 5,603 | 32,919 | 821 | 516 |
| Lone parent ° one child aged 10 | 31,338 | 3,554 | 6,428 | 46,320 | 1,155 | 729 |
| Couple two children 8. 10 | 54,019 | 9,245 | 10,055 | 62,780 | 1,566 | 983 |

Source: Wagner. 1993a

Other assistance-lurked, means-tested benefits

Severe Disability Allowance: This allowance was created in 1979 as an expansion of provisions made in 1971 for people with visual impairments. Severe disability allowance is available to adults. and children over the age of three, whose physical or mental disabilities prevent them from living a normal life, without the help of another person. Disabilities occurring after the age of 65, or those caused by senility, do not count.

In order to qualify, applicants have to provide full details of their health situation and their financial circumstances to the FNS. They are also obliged to participate in any rehabilitation, medical or surgical treatment, or to use any special equipment which would reduce the level of disability or aid their integration into society.

Benefit is paid at two levels: for those under and those over 18. The March 1993 monthly rates were as shown below in Luxembourg francs. with dollar and sterling purchasing power equivalents:

Benefit rates for *.Allocatiort pour Pefscoraes Girasement Hcotttrcappes*, March 1993, per month

| | FLux | USS | t |
|---------------|--------|-----|-----|
| 3 to 18 years | 6.572 | 164 | 103 |
| Over 18 years | 13.143 | 328 | 206 |

Heating Allowance: The Heating Allowance was created in 1983 to help with fuel costs. The amount cannot exceed the cost of supplying heat by means of solid fuel. In order to qualify earnings must also be below a certain level, fixed according to household size. In 1992 the ceiling that was used was above the RMG threshold for all but couple households. In 1993. as a result of changes in RMG levels, the heating allowance ceiling was above all RMG levels except for single person households. From 1993 the allowance was limited to solid fuel costs only and not other kinds of heating.

Care Allowance: Care Allowance was established in May 1989 and since its introduction the number of recipients has increased from 957 to 1,529. To be entitled to the allowance, the claimant must be under 65 years and a resident of Luxembourg for ten out of the last 15 years. They must also have undergone the loss of physical or mental capacities to the extent that they can no longer live without the help of another person. Claimants must also have an income of less than two and a half times a maximum reference income. which was set at FLUX 90,843 per month in 1993 (around US\$2.265 or £1,423).

Care Allowance cannot be received in conjunction with severe disability allowance nor with the supplementary increase in RMG for those with a pronounced disability.

One-off and urgent payments

The RMG (along with housing allowances and free transport) is meant to cover all the needs of beneficiaries. In the case of large or unexpected needs, people can apply to the local social welfare offices for discretionary supplementary assistance

(*Aide Sociale*), or approach a non-governmental organisation or charity. There is little research evidence available about the distribution of supplementary assistance and no general rules or guidelines for administering it. The local office covering the city of Luxembourg operates a guideline of providing continuing payments of around 80 per cent of the national minimum benefit to people in need who do not have access to the RMG.

Fringe benefits and concessions

A deduction of 2.5 per cent of benefit is made for payment towards sickness and maternity insurance (see above). Apart from this, RMG claimants are not affiliated to any other social insurance schemes.

RMG claimants are entitled to free transport, which can be claimed by applying for a special transport pass. There is thought to be relatively low take-up of this concession, and surveys have suggested that people were reluctant to apply for fear of being identified as RMG recipients – evidence apparently that some stigma remains attached to the benefit.

Receipt of RMG also entitles beneficiaries to a range of services and support through the local social welfare offices.

Administration and the claiming process

A claim for RMG must be made to the local municipal social welfare office, but there is no specified application form. Decisions are initially made by social workers and should be made within 24 hours in an emergency. The law lays down that the local office deals with claims for the first three months. If a claim continues beyond this period, jurisdiction passes to the *Fonds National de Solidarité* (FNS). There are no appeal rights against local authority decisions, but if a decision is contested the office has to forward the papers within ten days to the FNS who will then issue a decision which can be appealed to the social insurance tribunal. Where necessary, social welfare workers may visit claimants to assess their circumstances.

According to Wagner (1994), there is considerable local variation in how these procedures actually operate. The initial period can last for up to a year or more, during which payments of only 80 per cent of benefit may be paid. Depending on the size of the office and how busy staff are, there can also be delays. People often have to go to the office every week to pick up interim cheques. One of the aims of the RMG was to stop this kind of variable and discretionary procedure, but people may apparently still face problems of 'negotiating' social assistance with local officials.

Since 1993, one major voluntary organisation with a large clientele of RMG beneficiaries has been given the responsibility of making advance payments of benefit during the first months. It is possible that these facilities may be extended to other NGOs in the future.

Once a final decision has been made by the FNS, payments are made monthly by credit transfer. Any interested party can claim on the household's behalf, but the benefit is normally paid to one member. If there is evidence that benefit is not being used for the whole household, or that there are some conflicts of interest within the household, the benefit can be paid to a third party to administer on the household's behalf, but apart from this there are no specified arrangements for other deductions or direct payments of benefit.

Recipients are obliged to report immediately to the relevant body any changes in circumstances which might affect their claim.

Benefit can be recovered from recipients in a number of situations:

- if during a period when benefit is being paid a claimant disposes of resources which would have been taken into account, the excess sum paid can be recovered from the claimant or anyone else party to the claim

- if a claimant has given incorrect information or failed to reveal relevant details which might have affected the assessment of their claim, repayment is obligatory
- benefit wrongly- paid can be reclaimed from the claimant or anyone else party to the claim. It can be deducted from future benefit or from any arrears owing to the claimant
- in certain circumstances. and up to certain limits, benefit can be recovered from claimants if their financial situation improves, from a claimant's estate, or from beneficiaries of a claimant's will.

According to officials. the enquiries made in the course of assessing claims are sufficient to deal with possible fraud and there is no evidence about its extent.

There are common procedures for appeal for all social security benefits. but no evaluations have been made of access to the appeals process. Claimants can be represented professionally and free. representation by a lawyer is possible.

The role of non-governmental organisations (NOOS) in social assistance

NGOs have no legal status in the direct provision of social assistance, but may be involved in the various complementary social services connected with training, social employment and re-integration. One large organisation is also currently able to make advance payments of RMG on behalf of the FNS. NGOs also play an important role in providing advice and information to potential beneficiaries.

15.4 Housing assistance

Rent allowances are available up to a maximum of FLUX 5,000 per month (around US\$125 or US), based on the difference between gross rent and 10 per cent of the amount of RMG payable. They are only available as part of the RMG and entitlement ceases once RMG is no longer payable, whatever the rent level. Taken along with the relatively high level of benefit, this can create potential incentive problems, as the total benefit figure may be close to the minimum wage. This has intensified since 1993. as before that the housing allowance was not paid as a cash benefit. Instead, people paying rent were entitled to a larger earnings disregard. This acted as an earnings incentive, but was limited to those who could find work. Owner-occupiers with mortgages do not receive any extra assistance towards interest payments.

The examples below provide an illustration of the relationship between RMG and housing assistance. and the potential disincentive effects. The examples assume in all cases that the maximum housing allowance is payable.

EXHIBIT 1: Single person household

| | Gross earnings | RMG | Housing allowance | Total income |
|---|----------------|--------|-------------------|--------------|
| No earnings - full RMG | 0 | 29,433 | 5,000 | 34,433 |
| Earnings at minimum wage level | 41,314 | 0 | 0 | 43,314 |
| Earnings within disregard | 5,887 | 29,433 | 5,000 | 40,320 |
| Earnings at minimum wage level but without RMG | 30,000 | 5,320 | 5,000 | 40,320 |
| Earnings below minimum wage level but without RMG | 35,320 | 0 | 0 | 35,320 |

The example shows that while there is some advantage in having small earnings below the disregarded income level, there is little to be gained from increasing these earnings right up to FLUX 35,319. After this, because entitlement to the housing allowance is lost, along with RMG. there is an immediate drop in total income.

The effect is similar for a couple with two children (Example 2.)

Example 2: Two adults and two children

| | Gross earnings | RMG | living allowance | total income |
|---|----------------|--------|------------------|--------------|
| No earnings + Full RMG | 0 | 52.819 | 5.000 | 57.819 |
| Earnings at minimum wage level | 42,568 | 20.815 | 5.000 | |
| Earnings within disregard | 10,564 | 52.819 | 5.000 | |
| Earnings + partial RMG | 60.000 | 33.83 | 5.000 | 68.83 |
| Earnings below minimum wage but without RMG | 63.839 | 0 | 0 | 63.839 |

Here the household has no incentive to increase its earnings above FLUX 10.684 unless they can manage to earn more than 63.833.

15.5 Trends in expenditure on social assistance

Table 15.5 shows expenditure on the RMG and the high cost of living allowance (AVC) since 1985.

Table 15.5: Expenditure on the RMU and AVG 1985-1993, at annual prices

| Year | RMG | AVC FLUX (millions) | Total |
|------|-------|------------------------|-------|
| 1985 | 258 | 319 | 577 |
| 1986 | 279 | 302 | 581 |
| 1987 | 543 | 236 | 779 |
| 1988 | 749 | 209 | 958 |
| 1989 | 815 | 196 | 1,011 |
| 1990 | 939 | 176 | 1,115 |
| 1991 | 1,096 | 158 | 1,254 |
| 1992 | 1,176 | 144 | 1,320 |
| 1993 | 1,357 | 132 | 1,489 |

Note: Using purchasing power parities for 1993, LSSI = FLUX 40.1 and £1 = FLUX 63.85

Source: Inspection Generale de In Securite Sociale, (1994)

The figures for the RMG include the costs of health insurance for recipients, but not the administrative costs for the ENS and local *Serietesfondet Soc/a/c*. These costs were estimated at around 4.7 per cent of RMG benefit expenditure in 1992.

Expenditure on the severe disability allowance in its first year of operation in 1989 was FLUX 248.4 million, rising to FLUX 366 million in 1993 (around US\$9 million). Information is not available on the costs of the heating allowance and the care allowance, and in spite of their being means tested they are not generally considered to be part of social assistance in Luxembourg.

Overall, expenditure on social assistance including the disability allowance increased by just over 220 per cent in cash terms between 1985 and 1993. In relation to social security expenditure as a whole, however, social assistance expenditure remains minimal. Spending on the RMG and AVC in 1985 was 1.1 per cent of 'social expenditure' (as defined by the Luxembourg Ministry), or just under a quarter of one per cent of GDP. By 1993 total social assistance spending had grown to 1.4 per cent of all social security expenditure, or 0.38 per cent of GDP (*Inspection Generale, 1994*). If the disability allowance is included, these figures rise to 1.7 per cent and 0.47 per cent.

The RMG is financed by a combination of funds from central government tax revenue, from local authorities and from the national lottery. In 1992, state funding made up 81 per cent, while nine per cent came from local government and six per cent from the lottery. A further four per cent came from money recovered from recipients.

15.6 Trends in receipt of social assistance

Between December 1986 and 1992 the number of households receiving RMG grew from 2,765 to 4,469 (*Service National d'Action Sociale*, 1993). Including children and other household members these figures rose to 3,415 in 1986 and 6,491 in 1992, making a total increase of 90 per cent. Recipients made up just under three per cent of all households and around 1.6 per cent of the total population. The number of households receiving the high cost of living allowance which preceded the RMG declined from 11,800 in 1976 to 4,200 in 1992 (Ministry of Social Security, 1994).

Table 15.6 shows the composition of the beneficiary population by household type. The main part of the table does not include people receiving an RMG supplement to an old age pension, or a survivor or orphan's pension. This is because these supplements are paid through the relevant insurance body rather than by the FNS and the household data are not available.

Table 15.61: Recipients of the RMG, in 1992, by household type

| | 1988 | 1989 | 1990 | 1991 | 1992 |
|---|-------|-------|-------|-------|-------|
| Single person | 1,334 | 1,513 | 1,635 | 1,591 | 1,640 |
| Lone parent | 339 | 412 | 501 | 521 | 572 |
| Couple without children | 99 | 105 | 121 | 98 | 110 |
| Couple with children | 156 | 180 | 200 | 224 | 217 |
| 3 or more adults | | | | | |
| without children | 5 | 6 | 9 | 9 | 8 |
| with children | 8 | 6 | 5 | | 6 |
| Household containing one or more older parents | | | | | |
| - without children | 94 | 87 | 71 | 64 | 57 |
| - with children | 12 | 12 | | 6 | 3 |
| Households containing one or more adult children | | | | | |
| without children | 318 | 305 | 283 | 257 | 251 |
| with children | 43 | 36 | 24 | 21 | 19 |
| Subtotal | 2,398 | 2,662 | 2,865 | 2,798 | 2,883 |
| People receiving social security pension plus RMG supplement | | | | | |
| | 1988 | 1989 | 1990 | 1991 | 1992 |
| Retirement pensioners | 837 | 838 | 875 | 935 | 1,030 |
| Survivors | 317 | 309 | 325 | 354 | 388 |
| Orphans | 164 | 166 | 170 | 170 | 168 |
| Subtotal | 1,318 | 1,313 | 1,370 | 1,459 | 1,586 |
| Total | 3,716 | 3,975 | 4,226 | 4,275 | 4,469 |

Source: Ministry of Social Security (1994)

The table shows that single adults are the most important group of recipients, followed by lone parents. Lone parents made up only 13 per cent of beneficiaries in 1992, however. Wagner (1993a) has estimated that around 15 per cent of all lone parents in Luxembourg receive the RMG. Overall, around 27 per cent of individuals in recipient households are children, but households without children make up around 80 per cent of recipients. More than a quarter of recipient households are also receiving a retirement or survivor's pension, but they represent only a small percentage of all those with such pensions. In December 1992, just over 59 per cent of beneficiary households were headed by a woman.

Between 1987 and 1991, 53 per cent of all individual beneficiaries (including children) were aged between 20 and 64, and 23 per cent were over 65 (Wagner, 1993a). Twenty-four per cent were aged 19 years or below. It is also interesting to note that 13 per cent of main beneficiaries (that is, the person named as the claimant) were under 30, given that access by people under 30 is restricted.

Table 15.7 brings together the data available on the number of households receiving the other means-tested benefits.

Table 15.7: Recipients of other means-tested benefits, 1980-1986

| Year | Severe disability allowance' | Care allowance' | Heating allowance' |
|------|------------------------------|-----------------|--------------------|
| 1980 | 1.266 | | |
| 1986 | 1.921 | | n a |
| 1986 | n:a | | n a |
| 1987 | Ma | | 3 ² 56 |
| 1988 | 2.113 | | 493 |
| 1989 | 2.218 | 957 | 199 |
| 1990 | 2.304 | 1.340 | 308 |
| 1991 | 2.366 | 1.445 | 214 |
| 1992 | 2,414 | 1.529 | 120 |

At end December

Total for year

Sources: Wagner, 1993a

Inspection Generale, 1993

The numbers of people receiving both *the* severe disability allowance and the carer's allowance have gradually been increasing since they were introduced, but not at the rate of the RMG. The heating allowance was largely subsumed into the RMG and the number of recipients is dwindling. It seems likely to be abolished in the fairly near future.

There is little information available as yet on how long people stay in receipt of the RMG, but evaluations looking at duration are currently being undertaken. Examination of data from the *Service Nationale d'Action Sociale* and other sources suggested that the main reason for coming off benefit was through incomes exceeding the threshold (Wagner, 1993a). Other less common reasons included non-co-operation with integration measures, no longer being resident in the country and death.

There is also little information on the level of take-up. Official estimates put take-up for the RMG in 1991 at +A- 50 per cent, based on simulations of RMG entitlement using household income data from 1985 (*Conseil Supérieur & Action Sociale*, 1993). However, the question of take-up has attracted little attention in Luxembourg (Hartmann-Hirsch, 1989).

15.7 Policy issues

Poverty and the level of benefits

Luxembourg is not generally regarded as having a high level of poverty and the RMG appears to have considerable public backing. In 1991, for example, nine of ten people questioned in the Luxembourg⁸ Panel Study supported the scheme (Wagner, 1992). It is also largely uncontroversial politically, having been adopted in 1986 with a parliamentary vote of 59 in favour and two abstentions. The benefits are relatively generous, leading⁹ as we have seen to some potential incentive problems. Nevertheless, substantial numbers of people may be excluded from benefit because of the age and residency restrictions and can only apply for discretionary assistance or seek help from a charity. The basic scale rates for most household types except single people also remain below the EU 'poverty' line of 40 per cent of the mean for disposable household income (Table 15.8).

Table 15.8: RMG monthly scale rates compared to a European Union 'poverty line', in Luxembourg
Frances

| | RMG (1991) | RMG (1993) | Disposable income at EU poverty line (1993) |
|--------------------------|------------|------------|--|
| One adult | 25,088 | 26,666 | 25,050 |
| Two adults | 33,701 | 40,000 | 42,584 |
| Two adults, one child | 38,321 | 43,927 | 55,109 |
| Two adults, two children | 42,941 | 47,854 | 67,634 |
| One adult, one child | 29,709 | 30,594 | 37,574 |
| One adult, two children | 34,329 | 34,521 | 50,099 |

Source: Wagner, 1994

The relative equivalence scales have changed a number of times since 1986. Interviews carried out with social welfare staff in 1991 suggested that a priority for any change should be to increase the levels for lone parents and families with children (Wagner, 1992). It should be remembered, however, that the claimants of means-tested benefits are a very small percentage of the population as a whole.

Work incentives and labour market policies

It has already been stated that in purely economic terms at least, the structure of the RMG provides little incentive to work beyond a minimal level. Many recipients are in any case exempted from the obligation to seek work because of age, incapacity or caring responsibilities. Nevertheless, greater emphasis is likely to be placed in the future on effective policies to re-integrate unemployed recipients into the labour market.

Other issues

Other topics of debate on social assistance in Luxembourg include:

- the ten year minimum residence condition
- the minimum age limit of 30 years
- the availability of welfare rights information for people not taking up their entitlements
- the efficiency of the administration and delivery of the RMG.

15.8 Recent and forthcoming changes

The law has been amended on several occasions since it was introduced in 1986. The main changes in, or relating to, the RMG have been as follows:

July 1987:

- The amount of RMG for the head of household was increased by seven per cent.
- Minimum pension rates (for old age, invalidity and survival) were increased in order to bring them up to the level of the RMG.

February 1989:

- All RMG rates were increased by 3.6 per cent.

June 1989:

- Entitlement to RMG was broadened by making the residence qualification more flexible.
- Introduction of disregards and other measures to stimulate work-seeking and integration activity.

Apra 1991:

- Disregards were widened to include other forms of income replacement benefits.
- Ⓜ The level of earnings disregards were reduced by between 25 and 20 per cent.
- Ⓜ Protection of pension rights introduced whilst in receipt of RMG.

Eehruarv 1993:

- e RMG rates for single adults were increased by 3.8 per cent.
- Ⓜ The rate for the second adult in the household was increased by 51 per cent.
- ei The child rate was reduced by 17 per cent.
- e The maximum level of housing allowance was increased.
- Insertion contracts and other integration measures were introduced.
- Change in rules exempting people bringing up children from availability for work.
- Ⓜ Various other adjustments to the means test.

No systematic evaluation of the changes has been carried out as yet. There are no current Government proposals to reduce benefits or introduce any further restrictions.

It is generally agreed that Luxembourg is meeting its obligations under the EU recommendation on sufficient resources (though there is some question about the ten year residency rule), but difficulties persist related to the issues listed above.

15.9 Overall performance

The main strengths of the Luxembourg system appear to be its high level of legitimacy and the relatively high level of benefit. Very low unemployment means that in spite of the low level of unemployment insurance cover, the numbers receiving the RMG are miniscule compared to other countries.

On the other hand, the small number of claimants may also contribute to a continuing stigma. Administration and delivery of the benefit also appears to be potentially complex and problematic, contributing to low take-up. The residence and age conditions also make it highly restrictive.

The housing allowance also seems problematic. Being linked only to RMG and with a 100 per cent cut out at the RMG threshold, it creates a severe part-time earnings trap. This may be one reason why the integration programmes are not making much progress as yet.

Chapter 16 The Netherlands

16.1 Background

Demography

The population of the Netherlands in January 1994 was an estimated 15.34 million (Eurostat, 1994a). in the middle range for European Union countries. The age structure of the population is somewhat younger than in some other European countries, with an estimated 17 per cent of people aged over 60 years in 1990. compared with an EU average of 20 per cent (Family Policy Studies Centre, 1993). The fertility rate of 1.57 was slightly higher than the EU average in 1993, though United Nations population projections have suggested that it may be the lowest in Europe in the years leading up to the end of the century (Simons, 1992).

Around ten per cent of all families with children are estimated to be headed by a lone parent. over half of whom are divorced (Whiteford *et al.*, 1994).

Employment and the economy

Although the Netherlands has faced many of the problems of recession and economic restructuring common to all the European partners since the late 1970s, it remains relatively successful economically despite having what is generally regarded as one of the most generous and comprehensive social security systems in the EU. According to figures from the Dutch Government for the late 1980s. it had the highest level of productivity. measured in GNP per labour year in the EU, and was only surpassed in the OECD by the United States (WRR, 1990).

One feature of this high labour productivity, however. is that it is concentrated amongst a relatively small percentage of the population. The Netherlands thus has a correspondingly high level of social security beneficiaries, so that for every four people in work there have been three full-time benefit recipients. The overall labour force participation rate in 1991 was 67.6, below the OECD average of 71.3 (OECD, 1994a). Many of the beneficiaries are old age pensioners, but even among 15-65 year olds the ratio is nearly two beneficiaries for every four people in employment. According to social policy analysts in the Netherlands. this ratio is currently regarded as a key indicator in policy terms and any signs of it worsening tend to trigger calls for measures to reduce benefit dependency.

One important dimension of the labour force in the Netherlands has been the relatively low level of participation by women. In 1991 the female participation rate was 54.5, compared to 60.5 in the OECD as a whole (OECD, 1994a). One striking feature of this low participation by women is that only eight per cent of lone mothers were in full-time work in 1989, compared to a European Union average of 40 per cent (Whiteford *et al.*, 1994). However, the rate of women's labour force activity as a whole has doubled since 1960 and is likely to reach average levels in the near future.

Like most other European countries the Netherlands has experienced rising unemployment, particularly long-term unemployment, during the 1980s. The standardised unemployment rate reached a peak of around 12 per cent in 1985, but then fell to just over eight per cent in 1993 (OECD, 1994a). These figures may be misleading. however, partly because of changes to the official definition of unemployment and partly because some unemployed workers are likely to be receiving disability benefits instead. This question is discussed further below, but

taking a broader definition of unemployment (including all those of working age receiving a social security benefit or enrolled in special schemes), unemployment has been estimated as being around 25 per cent for nearly a decade (OECD, 1993i). The rate of long-term unemployment is also estimated to be among the highest in Europe, with 44 per cent of all those unemployed being out of work for a year or more in 1992, compared to an OECD average of 28.6 per cent (OECD, 1994a).

Discussions of the problems of unemployment in the Netherlands have highlighted the relatively high levels of joblessness among immigrant groups, but although they are concentrated in the major cities, non-nationals make up only around five per cent of the population (people from Surinam and the Antilles are Dutch citizens).

One of the consequences of having a large proportion of the population receiving benefits is a high level of public expenditure and, consequently, of taxation. Throughout the 1980s, the Netherlands spent the highest proportion of its GDP on social protection of any OECD country except Sweden. In 1991, expenditure on social security (following the OECD definition of 'social protection', but excluding health costs) was estimated at 22.3 per cent of GDP, compared to an EL average of 16.9 per cent (OECD, 1994d).

Wage costs overall have been amongst the highest in the OECD and gross wage replacement rates have been the second highest among the EL member states, both at the beginning of unemployment spells and after two years (Reissert, 1993). This suggests problems for competitiveness on the world market, especially for a country which relies heavily on exports. However, Engbersen *et al.* (1993) argue that in the Dutch case the welfare state is a major contributor to the high level of productivity, first by allowing non-productive workers to withdraw from the productive sphere with a reasonable level of financial support, and secondly by successfully motivating employers to look for productivity gains through investment, restructuring, and cost reduction. Thus it is argued that the welfare state provides similar pressures to those arising from industrial competition.

As well as possibly contributing to economic efficiency, the Dutch welfare state has also produced a high level of equality. Eurostat data on household expenditure show that in 1985 only Belgium among the ECU 12 had a lower proportion of households with expenditure below 50 per cent of the national equivalent average (Eurostat, 1990). Nevertheless, the number of households living on the 'social minimum' (defined as a proportion of the net statutory national minimum wage) grew rapidly, from around 300,000 in 1980 (or under five per cent of all households) to between 800,000 and 900,000 in 1990 (13-15 per cent of households) (Social and Cultural Planning Office, 1990). The largest increases were among people claiming unemployment assistance or general assistance, and resulted largely from growing numbers of long-term unemployed, old-age pensioners and lone mothers (van Oorschot and Smolenaars, 1993). These developments have stimulated both a discussion among social policy analysts about the emergence of new poverty in the Netherlands, and calls for cutbacks in the scope and generosity of certain benefits. There have also been demands for greater scrutiny of the legitimacy of some claims. These debates are discussed later in the chapter.

Political framework

The Netherlands is a pluralistic society where substantial powers are devolved to the local municipalities. The electoral system, together with the historical power of organised interest groups, has led to a strong tradition of coalition government and consensual politics. The dominant parties of government in recent years have been the Christian Democrats and the Social Democrats, though both lost support to smaller parties in the election of 1994. The current coalition consists of Social Democrats (PvdA), Conservative Liberals (VVD), and Progressive Liberals (D66), with the Christian Democrats (CDA) as the main opposition. Twenty-three seats in the 150 seat Parliament are held by eight small parties, including two parties of

elderly persons, the Greens *and* the socialist left, three fundamental Christian parties, and the extreme right.

16.2 The social security system

History

Commentators on the Dutch social security system have argued that its origins and shape owe much to the Netherlands' geographical position and geo-political history. As a small but economically important trading nation 'at the cross-roads of Europe' (Ensbensen *et al.*, 1993), the Netherlands has been open to outside influences, particularly from its larger neighbours, France, Germany and the United Kingdom. Although urbanisation, democratic institutions and the development of a capitalist economy *came* relatively early, industrialisation and consequent modernisation came later than in other neighbouring countries and it was the last among the present members of the European Union to introduce a form of national social insurance. The first insurance scheme (against accidents) was introduced in 1901, by which time around 40 per cent of the population of Germany was covered by some form of social insurance.

From being an early 'laggard' it could be seen as having moved during the 20th century to being a 'leader' in terms of the development of social security and welfare state provision. This expansion, which mainly took place between 1958 and 1967, with the introduction of universal pensions, unemployment benefits, sickness and disability insurances and comprehensive social assistance, has been explained as deriving from the pluralistic nature of Dutch society and politics. Historically the nation has been divided by religion between the Protestant north and the Catholic south. There have also been divisions between the early urbanised centres, which fostered both a liberal commercial elite and a socialist trade union movement, and the rural areas which supported farmers' organisations. These social cleavages produced what has become known as 'pillarisation', in which a series of minority ideologies and interests have all found representation in political parties or corporatist bodies and competing union or organisations close to the state. This has necessarily resulted in coalition and consensual politics and the compromise character of the welfare state, which it has been argued contains elements of all three of Esping-Andersen's (1990) 'worlds of welfare capitalism' - liberal, conservative-corporatist and social-democratic.

The forms that the social security system took reflected both the influence of its powerful neighbours and trading partners, and ideological factors deriving from these specifically Dutch political, economic and religious cleavages. Thus the insurance schemes initiated against accidents, disability and sickness between 1901 and 1930 were extensively modelled on the German social insurance programmes introduced by Bismarck. The comprehensive plans for flat-rate old age and survivors' pensions introduced in the late 1950s were prepared by a war-time committee appointed by the Dutch government-in-exile in London, drawing on the work of Beveridge (Ministry of Social Affairs and Employment, 1990). Finally the liberal model of welfare which had earlier been associated with the merchant classes, and which influenced the Dutch Poor Laws, found more modern expression in the National Assistance Act (*Aigeinene Bijstandswet* or ABW^{3s}) of 1965.

The pillarisation of Dutch politics and society has produced not only a compromise and consensual approach to welfare, but also, it has been argued, a kind of 'pork-barrel' politics in which different societal groups have competed to achieve improvements for their particular constituencies. This competition between the pillars has had the result both of driving up the coverage and level of benefits, and of easing criteria for eligibility. The most obvious example of this is in the area of partial incapacity or disablement. Between 1970 and 1990, the numbers of

Readers are referred to the end of the chapter for a list of the full names of benefits.

recipients under the two main insurance-based disability benefits (WAO for employees and AAW for self-employed and other disabled people) grew from 295,000, or six per cent of the insured population, to 862,000, or 12 per cent of insured persons. This is unlikely to have reflected decreasing health among the population, but rather represented an agreement between trade unions and employers to place workers laid off in the economic restructuring of the 1970s and early 1980s in the disability plan rather than in the less generous unemployment plan. The criteria for eligibility were relatively easy to fulfill, with workers having to show only a minimum of 15 per cent disability in order to qualify for partial benefit, compared to 50 per cent in the German equivalent. Until recent changes were introduced there was also little scrutiny of the legitimacy of claims. This helps to explain some of the growth in the size of the social security recipient population at a time when official unemployment, though rising, was still below that of many other European countries.

Some of the more general features of the expansion of the Dutch social security system since the 1960s can be observed from Table 16.1 below. This shows the growth between 1960 and 1990 in the numbers of people receiving the most important benefits.

Table 16.1: Numbers of people receiving the in social security benefits (1960-1990)

| Benefit | 1960 | 1970 | 1980 (Thousands) | 1985 | 1990 |
|---|------|-------|---------------------|-------|-------|
| Unemployment insurance (WW) | | 31 | 65 | 76 | 205 |
| Sickness (ZV) | 93 | 205 | 269 | 225 | 292 |
| Disability (WAO/AAW) | 161 | 295 | 696 | 772 | 862 |
| Age pensions (AOW/AWW) | 927 | 1,213 | 1,504 | 2,025 | 2,043 |
| Unemployment assistance (WWV RWW IOAW) | | 21 | 168 | 570 | 370 |
| General assistance (ABW) | | 292 | 280 | 217 | 215 |

Source: Derived from Table 13 in Enghersen *et al.*, 1993

Structure

Social security in the Netherlands is primarily a system of contributory, insurance-based benefits. This can be seen from both the numbers of beneficiaries receiving insurance payments compared with those receiving means-tested assistance and from the relative levels of expenditure on these two types of benefit. In 1990, 85 per cent of recipients of the main benefits had payments from social insurance schemes (CBS, 1990). Total expenditure on social insurance benefits in 1989 was FL 104.5 billion, of which administrative costs made up 3.5 per cent (Ministry of Social Affairs and Employment, 1990). Social insurance benefits are financed mainly by insured persons and their employers, contributions from whom make up 89 per cent of the costs. Virtually all the rest comes from general tax revenue. Assistance benefits are funded 90 per cent from taxation and ten per cent by the local municipalities who administer them. Expenditure in 1990 on all assistance benefits totalled FL 12.2 billion (US\$5.6 billion), of which administration made up 8.2 per cent (CBS, 1993).

The main national insurance, or 'people's benefits' are as follows

Retirement Pensions - General Old Age Pensions Act 1957 (40JV): In principle all residents of the Netherlands are entitled to a flat-rate pension at 65, depending on their contributions, of 70 per cent of the minimum wage for single people or 50 per cent each for couples who have both reached pensionable age, with an income-related 30 per cent supplement where one partner is under 65 (50 per cent until 1987). This gave the Netherlands a relative pension generosity in 1980 (based on

¹ Using OECD purchasing power parities for 1990 this sum is equivalent to approximately US\$ 48.4 billion or £29.2 billion.

The criteria mentioned for the various schemes are mainly as at 1990.91. Since then a number of changes have taken place, especially in the sickness and disability schemes.

the proportion of GDP devoted to pensions divided by the proportion of the population aged 65 or over) half as high again as the OECD average (OECD, 1993i).

Survivors Benefits -- General Widows and Orphans Act 1959 (AWi): This provides a contributory benefit for widows and widowers aged over 40, or with children or pregnant, or incapable of work through sickness or disability. Payment is at the level of the social minimum. Proposals have recently been made to income test this benefit after an initial period, but restructuring has been postponed for an indefinite period. The orphan's pension is for children who have lost both parents and continues up to the age of 16 (or 18 if disabled and 27 if in full-time education).

Disability Benefit - General Disability Benefits Act 1976 (AG 11 '): AAW provides contributory benefits of up to 70 per cent of minimum wage, depending on the level of incapacity, for people who were self-employed or who have never been able to work because of a lifelong disability. To qualify, an applicant must have been incapacitated for one year at a minimal incapacity level of 25 per cent. Benefits may also be provided in kind, covering costs such as special training or adaptation to dwellings, special diets and transport facilities.

Child Benefits - General Family Allowances Act 1939 (AKW): These provide non-contributory and non-taxable allowances for all children under 18 years. Payments vary according to the age of the child, with those up to five years old receiving 70 per cent of the basic amount, those aged 6-11 the basic amount, and those aged 12-17 receiving 130 per cent of the basic allowance. In addition, families receive small extra allowances based on the number of children, to compensate for supplementary child insurance premiums for medical care. These were introduced in 1989.

The other contributory benefits are employed persons' insurance schemes, as follows:

Sickness Benefit - Sickness Benefits Act 1930 (ZW): ZW provides benefit for up to 52 weeks at 70 per cent of last earnings for insured employees. Maternity benefits are also available under this provision.

Invalidity Benefit -- Disablement Insurance Act 1967 (CIAO): The WAO entitles employees under the age of 65 to benefits if they are at least 15 per cent unfit for suitable work after 52 weeks of illness or disability (during which they would receive ZW). The amount of benefit depends on the level of incapacity and on previous earnings, ranging from 14 per cent of earnings for those 15-25 per cent disabled, to 70 per cent for those 80 per cent disabled or more (up to a wage ceiling). In special cases of hardship the rate can be increased to 100 per cent of earnings. Unlike unemployment insurance, there is no limit on the duration of entitlement, which is regarded as one reason for the large increase in the recipient population.

It is planned in the future to integrate all three sickness and disability schemes.

Unemployment Benefit -- New Unemployment Insurance Act 1987 (NWW): The NWW replaced the previous Unemployment Benefit (WW) introduced in 1952 and the Unemployment Provisions Act of 1964. Before 1987, WW met 80 per cent of previous wages for an insured worker who became unemployed for a limited period. Those whose entitlement was exhausted could get 70 per cent of earnings for a further period of two years. The NWW consists of three parts: an unemployed person (defined as having involuntarily lost at least five hours of normal work per week, and available for and seeking alternative work) can receive 70 per cent of earnings (up to a ceiling) for up to 26 weeks if s/he has been in insured employment for 26 weeks out of the previous 52. After this period benefit at the same level is available for up to a further 4.5 years, depending on the length

of previous employment, on condition that the person has been employed for three out of the previous five years. Beyond this point, if someone fulfils the last criteria, they can get a further one year of benefit at 70 per cent of the minimum wage, unless they are 57.5 years old or more, in which case this prolonged benefit can last for three and a half years. In addition, school leavers without contribution records can receive a form of unemployment benefit (WWV), but only for one year.

Compared to many European countries, these provisions are relatively generous and there has been policy discussion about ways of reducing the high costs involved. New arrangements which came into effect during 1994 are aimed at reducing the numbers of people entitled to earnings-related benefits by increasing the qualifying contributory periods to 26 out of 39 weeks and three out of four years. In return, entitlement to benefit will be prolonged for an extra year. The increase in long-term unemployment which took place during the 1980s has already had the effect of substantially contributing to growth in the claiming of means-tested social assistance benefits, and it is likely that the reductions in insurance benefits will create further demand for assistance.

16.3 Social assistance

Introduction

The Dutch Poor Laws of 1854 and 1912, like their equivalents across Europe, were based on the principle that paupers could only call on help from the authorities if their families would not support them and if they *had* been refused help by churches and charities. This changed with the introduction of General Assistance (*Algemene Bijstand*) under an Act of 1965 (ABW), which requires local authorities to grant assistance to any Dutch national living in or in danger of living in such circumstances that he does not have the means to support himself.

In addition to ABW itself, which is the general baseline system of income support, unemployed people who are not entitled to unemployment insurance benefits, or whose entitlement has been exhausted, can claim Unemployment Assistance under the State Regulation for Unemployed Employees (RWW). In most ways this is similar to ABW, but where differences exist these are discussed below. Further special assistance schemes exist for older people who become unemployed at or after the age of 50, or for partially incapacitated people of any age, whose entitlement to unemployment benefit has run out (IOAW); and for self-employed people aged between 55 and 65, who have had to give up their business because of too little income, or (at any age) have had to terminate their activity before the age of 65 (IOAZ). The other conditions of entitlement are largely the same for these as for ABW, except that most assets are disregarded. For the former self-employed claiming IOAZ, assets above a certain limit are deemed to produce a five per cent return which is counted as income. Finally, there is a system of Supplementary Benefit (TW) to be paid to people receiving insurance benefits, such as the WW, WAO, AAW and ZW, whose income may be lower than the appropriate social minimum. This may be because they are receiving a reduced level of benefit due to insufficient contributions or a particularly low previous wage. The means test for TW is slightly less strict than that for ABW and it is administered by the social insurance councils rather than the local municipalities. In practice, by far the most important benefits in terms of claimant numbers are the RWW and the ABW.

Legislation and policy objectives

The primary stated objective of ABW is to provide a guaranteed income. Subsidiary aims are to prevent long-term dependency on benefits and to promote social integration (Ministry of Social Affairs and Employment, 1994). The scope of the Act is intentionally wide and can include both periodic and one-off payments, but the general principle is that it is complementary to all other income and is provided as a last resort. In practice, however, this principle has become qualified over the years, so that certain forms of income or resources are not taken into account.

Administrative and regulatory framework

Social assistance is governed by national regulations and policy responsibility is held by the Ministry of Social Affairs and Employment. This responsibility is exercised partly through a network of State Regional Consultants. Social assistance is administered on a municipal basis by social welfare departments, which, depending on the size of the municipality, may be directly controlled by the elected council or by a committee appointed by the council. The committees are often composed of eminent local people, sometimes previously elected councillors or with local social service or business experience. Social welfare workers generally come from a social work background or training, but work in teams which include a legal expert. In addition, municipalities are obliged to appoint two advisory committees, one on matters of unemployment assistance and one for the questions concerning self-employment. These committees may be asked for advice on individual cases.

The cost of most social assistance payments are met by central and local government on a 90/10 per cent basis. Local government income is in turn received mainly as grants from central government and to a lesser extent from local taxes.

After an earlier trend towards increasing centralization of assistance (see van Oorschot and Smolenaars, 1993), moves towards decentralization began in the late 1980s. From the outset of the process of restructuring ABW (which started in 1989 and has resulted in new legislation which comes into effect in 1990), the idea has been that municipalities should be given greater discretion in order to be able to adapt their provisions to meet local needs. Along with acquiring more discretion, the municipalities are having to contribute more to the costs of assistance. The proposal has been that the 90/10 finance split with central government should change to an 80/20 split.

Although social assistance has a national structure of regulations and nationally-set scale rates, local social welfare workers still exercise a considerable degree of discretion, particularly in the awarding of payments to meet special or exceptional needs. In 1991, Special Assistance (*Bijondere Bijstand*) was decentralised further by moving from a 90:10 per cent financing split to fixed block grants to local authorities. Although initially the sums provided were equal to or higher than previous expenditure, in the longer term the move is intended to reduce costs to central government.

General conditions of entitlement

In principle ABW is available on an individualised basis to anyone aged 18 or over, who is available for and willing to take work (unless exempt) and whose assessable resources are below the prescribed limits. In a couple either partner can apply and if one applies alone it is assumed, unless there is evidence to the contrary, that the other partner is in agreement. The benefit entitlement is then notionally divided between the partners, who can have it paid in full to either person or individually. A couple in this case includes two people of the same sex living together in a relationship. There is no information available on the proportion of people choosing to split their benefit payments, but it is thought to be low.

Residence and nationality^o

Social assistance is theoretically available to anyone resident in the Netherlands, but there are certain qualifications to this principle. The courts have established that 'foreigners' living illegally in the country are not entitled to claim, unless an emergency arises which requires help on humanitarian grounds. Generally social assistance is awarded only to foreigners with valid residential permits or special permission to stay from the authorities. A distinction is made between so-called 'tolerated' foreigners -- those covered by an international agreement - and 'non-tolerated' foreigners. The former include nationals of EU countries, Cyprus, Malta, Turkey, Iceland, Norway and Australia, as well as people accepted as refugees

under the Treaty of Geneva 1951 and the Treaty of New York 1954, covering stateless persons. These are all treated as Dutch nationals and are entitled to claim assistance. 'Non-tolerated' foreigners can be awarded assistance, but if they are refused they have no recourse to *appeal*. Refugees and asylum-seekers can be awarded interim subsistence payments until they receive legal residency status.

The proportion of households headed by non-Dutch citizens in receipt of benefits under ABW in 1991 was 8.5 per cent, having increased from 3.8 per cent in 1982 (Verkaik *et al.*, 1993). Similarly, the percentage receiving RWW nearly doubled between 1982 and 1991 to 14.3 per cent.

Some local authorities produce leaflets and other information on benefits in minority languages. A study also suggested that minority groups such as Turkish and Moroccan people did not suffer from discriminatory treatment by local social welfare departments and indeed that on average they were slightly more satisfied with their treatment than ethnic Dutch people (*Ipsa Facto*. 1987).

Social assistance is not included in any of the reciprocal agreements on social security and since it is based on residency in the Netherlands it is not portable except in very unusual circumstances. Recipients can, however, continue to receive benefit while on holiday abroad for up to four weeks.

Duration of benefit entitlement

Duration of entitlement is unlimited, as long as the conditions of eligibility remain satisfied *and* resources are still below the minimum requirements.

Availability for work and labour market policies

For the RWW, claimants must sign on (generally once a month) as available for work and must in principle accept any jobs offered through the regional employment offices (which are separate from the municipalities). They also have to demonstrate their work-seeking by reporting regularly on activity and by providing copies of job applications.

There is no limit on the number of hours claimants may work and still claim ABW if their resources are below the specified level. Under RWW, unemployed people can engage in training or full-time education without losing their rights to benefit, subject to remaining available for work if it is offered. However, students in higher education are not entitled to either RWW or ABW.

Unlike RWW claimants, recipients of ABW, who consist mainly of lone parents, the sick and older people, have not previously been required to seek work. From 1994 onwards, however, lone parents will *not* automatically be exempt from this requirement. Only those with children under five will not be required to be available for work.

Self-employed people, as well as having access to IOAZ if they are older or disabled, have been able, since 1987, to receive ABW in certain circumstances, *either* as a loan or a grant of working capital, or as an income supplement for a period of one year if they have a viable business which is temporarily producing too little income. In these cases they are not subject to the same requirement to be available for work.

Under RWW, there are prescribed sanctions for non-compliance with work seeking requirements, as follows:

for not registering at the
Manpower Board:

five per cent reduction of benefit
for one or two months

| | |
|--|---|
| for insufficient job seeking: | ten per cent reduction for one month and if necessary a second sanction of ten per cent for two months |
| for refusing to participate in a training and assessment exercise: | 20 per cent reduction for one month and if necessary a second two month sanction |
| for refusing to accept suitable employment: | 20 per cent reduction for two months, and if necessary ^o . where unemployment is own fault, a second sanction of 20 per cent for four months |

In exceptional cases of repeated refusal to fulfill requirements, benefit may be temporarily suspended altogether.

There is no information available on the frequency with which such sanctions are applied. One of the current criticisms of the social security system in the *Netherlands* is that it does not include a sufficiently active labour market policy and that work tests are not in practice applied vigorously by municipal social welfare workers. Since 1990, municipalities have been obliged to create local 'job pools', providing work which is financed by central government. People taking these jobs receive a small supplement, similar to the premium paid in the UK to unemployed people undertaking some job training schemes. This appears not to have been *very* successful so far: studies show that local authorities have difficulty in creating the jobs and in filling places, resulting in 'creaming' of claimants who are easiest to place.

A further responsibility was placed on the authorities from 1992 under the Youth Job Guarantee scheme (JWG), whereby over a period of two to three years municipalities are to create one-year work experience placements in the non-profit sector for all young unemployed people under 27 after 6-12 months of unemployment. In return for 32 hours work per week, young people receive the youth minimum wage. This scheme also has been running into problems, with substantial numbers of young people being paid the minimum wage without actually being placed on a work scheme, thus weakening any potential incentive effects (Verkaik *et al.*, 1993).

Municipalities also now have a wider obligation to work towards the re-integration of the long-term unemployed by extending their co-operation with regional labour offices.

The benefit unit

As was stated above, the unit of entitlement is the individual, plus, where appropriate, any dependants. In a couple, either partner can apply and any benefit entitlement is then notionally divided between the partners, who can have it paid in full to either person or individually. Unlike most countries in the study, the Netherlands recognises two people of the same sex living together in a relationship as a single benefit unit. ABW payments themselves do not include amounts for children: instead, Child Benefit is paid on top of social assistance where appropriate.

Home and assets tests

Though entitlement is in principle individualised, assessment of resources still takes place on a family unit basis. This includes the claimant and his or her partner, but most income of a child under 18 is ignored.

When children reach working age they are assumed to contribute to household expenses, and a standard deduction is made from benefit. The same deduction

applies in the case of sub-tenants. and a slightly higher one in the case of lodgers. There are a number of situations in which people are exempted from this deduction, including where children are themselves receiving assistance or where a claimant has a resident carer.

For ABW, all social security benefits except Child Benefit and Housing Benefit are taken into account in full. as are most gifts or other payments except small compensatory payments for clothing or travel expenses. Child maintenance. however, is disregarded. Net earnings of the claimant and partner are taken into account in full, except that there is an earnings disregard intended to encourage part-time working. For single people or couples, 25 per cent of net earnings are disregarded, up to a maximum of 15 per cent of the standard rate of benefit for their household type. For lone parents there is an extra exempted area up to 15 per cent of the couple rate. These disregards. however, are normally only available for a maximum of two years. The disregards are smaller for single people below 23, but larger for people between 21 and 27 leaving education.

Capital or savings not intended for training or business purposes must be used to meet the cost of subsistence, but assets of up to FL 9,000 (around US\$4,150 or £2,600) for a single person and double this amount for a couple are exempt (1993 rates). Interest from these assets is also disregarded. Up to a certain level. the value of an owner-occupied home is also disregarded. as long as it is the main dwelling, the claimant is under 65 and they only receive the standard rate of benefit. In these cases there is an additional capital disregard of FL 15,000, plus half the value of the house up to a maximum of FL 77,600 for couples or lone parents, or FL 68,700 for single people. If assets are above this level, applicants could be refused benefit or be expected to sell the home, though local authorities have some discretion to treat cases of hardship on an individual basis. In some circumstances loans or mortgage credit may be available. repayable with interest when the claimant leaves social assistance or sells the house.

For IOAW, the means test is the same, except that assets are disregarded. as is child maintenance, rent or other income from property. There is an earnings disregard of 30 per cent of gross earnings for two years. up to the following maximum levels:

| | |
|-------------------------|---------------------------------------|
| ⊗ couple (both over 21) | FL 381.80 per month FOSS 176 or £110) |
| lone parent over 21 | 347.14 |
| • single people over 23 | 288.32. |

Smaller amounts apply to couples and lone parents under 21 and single people under 23.

For IOAZ. the same sources of income are disregarded and the same earnings disregard applies, except that no distinction is made for lone parents on the basis of their age. The value of any property at the time of stopping self-employment is taken into account. but the first FL 195,000 (US\$89,900 or £56,400) is disregarded. Above this level, property is deemed to produce a five per cent annual return which is converted into a monthly tariff income.

For TW, the same sources of income are again disregarded. as is all capital. Earnings are disregarded up to five per cent of the minimum wage and 30 per cent of any income above the minimum. Together these should not exceed 15 per cent of the minimum wage. The disregarded income period normally lasts for two years, but is unlimited for people aged at least 57.5 years.

The withdrawal rate on income above the prescribed limits for all the benefits is 100 per cent.

The basic rate for all the social assistance benefits is determined in relation to the 'social minimum', which represents a percentage of the net national statutory minimum wage, depending on the type of household. The rules establishing standard national rates were introduced in 1974 and since 1980 these rates have been linked to the net minimum wage. At present the relationship is as follows:

- 100 per cent of net minimum wage for married or unmarried couples living together
- 90 per cent for lone parents
- 70 per cent for single persons aged 23 or older
- 60 per cent for single persons sharing a dwelling.

Lower rates apply to unemployed young people age 18-23, increasing with age. As with many Dutch benefits, the overall rate includes a holiday allowance of around eight per cent of the main monthly amount. From January 1993, the main monthly benefit rates for ABW, RWW, IOAW and IOAZ were as follows (Table 16.2).

Table 16.2: Benefit rates for social assistance, January 1993, in Dutch Guilders, with US dollar and sterling equivalents, adjusted by purchasing power parities

| | Basic | + Holiday | t SS | Total in is |
|-----------------------------------|----------|-----------|------|-------------|
| Couple married or cohabiting) | | | | |
| both over 21 | 1.760.31 | 96.26 | 856 | 537 |
| one or both under 21, maximum | | | | |
| per person | 880.16 | 48.14 | 428 | 269 |
| Lone parents | | | | |
| over 21 | 1.584.28 | 86.63 | 770 | 484 |
| under 21 and living independently | 1.549.46 | 84.76 | 753 | 473 |
| under 21 and living with parents | 1.151.20 | 62.95 | 560 | 351 |
| Single person (not sharing) | | | | |
| 23 or over | 1.232.22 | 69.52 | 600 | 377 |
| 22 | 1.028.79 | 56.33 | 500 | 314 |
| 21 | 899.03 | 49.19 | 437 | 274 |
| under 21 or school leaver | 560.81 | 47.09 | 418 | 263 |
| under 21 and living at home | 462.55 | 25.30 | 488 | 141 |

A deduction of between FL 100 and 180, depending on household type, is made where people are sharing houses (with some exceptions mentioned above). There are no child additions as in the UK system, but Child Benefit is not counted as income for the means-test. IOAW and IOAZ are paid gross rather than net - that is, they are taxable. Net of tax the rates are approximately the same as for ABW.

Since the rates are set by reference to the minimum wage, updating follows the movements of this figure and generally takes place twice a year. The minimum wage itself was originally determined in relation to household expenditure surveys and the costs of prescribed baskets of goods, and is in theory updated with movements in the national price index. However, between 1984 and 1990 the minimum wage rate was frozen, and after small increase in 1991 and 1992 it was frozen again for 1993. The Government stated that it expected purchasing power for people on the social minimum to drop by three per cent during 1994 (van Oorschot and Smolenaars, 1993).

Other assistance-linked means-tested benefits

In addition to the main national social assistance schemes and Special Assistance, local authorities run a wide range of discretionary and means-tested schemes, which include relief of local taxation, special help with debts, and free or concessionary transport or leisure activities. In some areas the growth of these schemes has become an issue of contention with central government, which has acted to limit increases in expenditure. There is also evidence that many of these

schemes have been marked by inefficiency and low take-up (van Oorschot and Smolenaars. 1993).

Most assistance schemes are administered by municipal social services (ABW.KWW, IOAW, IOAZ_ BB). These schemes are well co-ordinated. However, there is little or no co-ordination between municipal social services and the administration of Housing Benefit, or with TW (which is administered by the industrial unions responsible for the workers' insurance schemes). Local income assistance schemes, administered by different local departments and services. are also poorly co-ordinated. according^g to van Oorschot and Smolenaars.

One-off and urgent payments

Normal monthly benefits are intended to cover most general items of expenditure. including larger lump-sum payments, though Special Assistance through loans and grants is also available. Special Assistance (BB) covers a range of items or needs falling outside those normally covered by regular periodic payments. There is no requirement to be in receipt of social assistance to qualify for a payment. though the same means test applies.

Social welfare officers exercise considerable discretion in making these payments, which may be grants or loans and can be both one-off and continuous payments. Research suggests that there has been substantial variation between local authorities in the amounts spent and the kind of items which may be included (Tester, 1987: van Oorschot and Smolenaars. 1993). The most common items for which regular extra payments are made include retraining costs, dietary needs, special medical costs_ child care, transport, and household help. In December 1990 there were 7,400 regular Special Assistance payments to people under 65 and 23,200 payments to people over this age (CBS. 1993).

For lump-sum costs. claimants can be asked to make a contribution, up to a maximum yearly threshold of FL 180 (in 1993). Loans are generally only available through ABW/RWW and BB if the local credit bank has refused to help.

Loans for living expenses or for business credit can also be made through BB to people starting or attempting to maintain self-employed work. The maximum setting-up amount is FL 40,000 (US\$15,400 or £11,600) and the maximum loan for people settled in self-employment is FL 200,000.

Credits for health and other insurance benefits

Health insurance is compulsory for all those with annual incomes below FL 55,000 (US\$25,000 or £16,000). This includes social assistance beneficiaries, who must like others pay between six and eight per cent of their income in contributions. Benefit rates are set to include these contributions.

Social assistance beneficiaries are also compulsorily insured for the 'people's insurances' - old age. general disability and widows and orphans. Because the insurance funds are required to maintain separate actuarial balance, contributions from people on social assistance are not credited but actually paid by the municipalities directly to the insurance funds in addition to benefit.

Administration and the claiming process

Payments of benefit are normally made directly into bank or post office accounts, through credit transfer. on a monthly basis. Only in special situations such as homelessness are payments made more frequently. As in the UK, it is possible for payments to be made directly to other parties, though only with the consent of claimants. Between a quarter and a third of assistance beneficiaries have some form of deduction or direct payment. mainly for energy costs, rent, or contributions to health insurance.

The time taken to assess and pay benefits varies between two and four weeks on average. In the waiting period people can be paid benefit in advance if necessary. The speed with which cases are assessed and payments are made is not generally regarded as a problem. On the contrary, social services regard a speedy process as a priority, sometimes, it is argued, at the expense of accurate decision making. A commission of enquiry (van der Zwan, 1993) made serious criticisms of the quality of the administrative process: files were found to be missing, application forms were incomplete, and most importantly in its opinion, administrators gave insufficient regard to checking information given to them by claimants. Research among clients, however, has consistently suggested that they are satisfied with the administration of benefits (SVR. 1992).

Any changes in circumstances affecting a claim have to be reported immediately. and people required to be available for work have to sign on once a month. Otherwise, eligibility for assistance is re-assessed on average every eight months. There are no home visiting services. Proof of identity is required for initial claims in the form of a national identity card.

Payments of social assistance can be recovered from claimants or other parties in a number of circumstances. First, overpayments made in error can be recovered from claimants themselves. Where separate assistance has been awarded to under-age children who cannot yet be considered unemployed workers, their parents can be asked to meet the payments. Assistance can also be recovered from the estate of a claimant who has died.

One particularly controversial aspect of recovery in the Netherlands concerns those cases where a divorced person claims assistance. Up to 1991, there was a general responsibility on municipalities to recover payments from divorced partners, even where there were no children involved, but in practice this was carried out very unevenly and was generally regarded as going against principles of family law. In 1991 a new Act, with retrospective powers, obliged municipalities to recover benefits from the former spouses of claimants up to 12 years after a divorce. The Act does not apply to unmarried couples who have separated. Local authorities still have the discretion to decide how much benefit to claim back, however, and this, along with the difficulties involved in implementing the legislation, has meant that in the first years of operation less than ten per cent of the expected amounts were recovered.

Claimants of social assistance benefits have the right to a review of administrative decisions and to further appeal. At the first stage the claimants must write to the municipal social welfare office outlining the complaint or appeal within one month of the original decision. In most cases where there is any *prima facie* possibility of an incorrect decision, claimants have a right to an informal hearing with the staff involved in the decisions and/or their managers. They are also entitled to look at the case file. In some authorities internal reviews would be carried out by a special committee. If claimants are still dissatisfied they can appeal to the regional court, which, since a judicial re-organisation operative from January 1994, would have a special chamber for hearing administrative appeals. Appeals can be made concerning the exercise of administrative discretion, as well as on points of legal interpretation. Previously, social assistance appeals were heard by the Provincial Executive. There were no statistics collected centrally on appeals against social assistance decisions, but this is likely to change under the new structure.

The role of non-governmental organisations (NGOs) in social assistance

NGOs and charities play virtually no direct *role* in the provision of social assistance and according^g to the assessment of the national expert there is no coherent or influential poverty lobby. There are scattered groups organised around types of beneficiaries (such as disabled workers and women on assistance). Most of them consist of local groups which are co-ordinated by national committees. The groups mainly limit their activities to the specific sub-groups' interests and are less

involved with broader issues of poverty. One lobby group addressing poverty more broadly is called The Poor Side of the Netherlands (*De Anne Kant van Nederland*). This consists of representatives of different churches and interest groups. The organisation aims to publicise issues of poverty through the results of poverty studies, conferences and public demonstrations and actions. Again, however, its influence is relatively small and not systematic.

16.4 Housing assistance

Housing allowances are administered separately from social assistance, through the Ministry for Housing and the Environment, though in practice the administration is often devolved to the larger social landlords. In principle ABW is a comprehensive benefit meant to include housing costs, but claimants with rents above a specified level and below a set limit can receive a means-tested Housing Benefit. This applies only to people aged over 18, whose partner or spouse is not subject to wealth tax, and is only for flats or houses. Thus people renting *single* rooms cannot receive an allowance_ however high the *rent*.

In July 1994, the maximum monthly rent ceiling was FL 963 (approximately US\$440 or £280), with a lower level for people under 23 (Teule, 1994). The same figures apply to owner-occupiers with mortgage interest payments and there is no limit to the duration of payments. The means test for Housing Benefit is based on the taxable family income from the previous year.

Where rents or mortgage interest are higher than the specified ceilings, a temporary housing cost supplement can be paid under ABW on condition that the claimant seeks a cheaper dwelling, though in practice this condition seems rarely to be enforced since cheap accommodation is increasingly hard to find in most parts of the Netherlands.

The Housing Benefit scheme is an important element of the overall social security system, with around 950,000 recipients in 1993 (Teule, 1994). In 1989 just over half of all households with incomes at the social minimum level received a housing allowance, though critics argue that the scheme has failed to rectify financial inequities in the housing system, since minimum income households still pay proportionately almost twice the amount for housing as households earning two or three times the modal income (van Weesep and van Kempen, 1993). In recent years the scheme has been subject to a number of cutbacks, including reductions in subsidies for young people, freezing of rent ceilings and reductions in the maximum level of subsidy.

16.5 Trends in expenditure on social assistance

Table 16.3 shows the growth of expenditure on social assistance since 1980. The figures are gross and thus include administrative costs as well as some payments of income tax and social security contributions. Expenditure increased most quickly in the first half of the 1980s, particularly on Unemployment Assistance. Since the overall amount has declined. Administrative costs for all the national regulated social assistance schemes in 1991 were a total of FL 980.6 million (C.B.J. 1993).

Table 16.3: Expenditure on Unemployment Assistance (RWW), General Assistance (ABW), Income Provisions for Older and Partially Disabled Workers (IOAW) and Formerly Self-employed (IOAZ), and Supplementary Benefit (TW), 1980-1992, in millions of Guilders

| | RWW | ABW | LOAW | IOAZ | TW | Total |
|------|-------|-------|------|------|-----|--------|
| 1980 | 1 240 | 4,523 | -- | | - | 5.763 |
| 1981 | 1.668 | 5.179 | | | | 6.895 |
| 1982 | 2,592 | 5.703 | | | | 8.295 |
| 1983 | 4.334 | 5.962 | | | | 10294 |
| 1984 | 6,128 | 5.668 | | -- | | 11.796 |
| 1985 | 7.036 | 3,712 | | | | 10.748 |
| 1986 | 7.319 | 3,620 | 24 | | - | 10.963 |
| | 7.261 | 3.769 | 312 | | 134 | 11.776 |
| | 7.657 | 3,856 | 325 | 21 | 553 | 12.412 |
| 1989 | 7.201 | 3.834 | 381 | 48 | 555 | 12.019 |
| 1990 | 6,895 | 4,036 | 382 | 62 | 563 | 11.938 |
| 1991 | 6,573 | 4.316 | 391 | 70 | 566 | 11.916 |
| 1992 | 6,549 | 4.493 | 384 | 92 | 606 | 12.124 |

Note: In 1992 purchasing power parities. 1?SSi = FL 2.18. £1 = FL 1.58

Source: Dirven, 1994, Table 7.4

The totals above for ABW include expenditure on Special Assistance. In 1990, total expenditure on Special Assistance and loans (excluding payments for residential care) was FL 172.8 million, of which 35 per cent was for regular extra. sums and the rest for one-off payments (CBS, 1993). This sum dropped to FL 85.1 million the following year, after the method of financing was changed to a block grant system for Special Assistance.

Total expenditure on social assistance increased in real terms in the early 1980s, but since 1985 it has remained fairly constant at between 2.2 and 2.4 per cent of GDP (GDP figures derived from OECD, 1993i).

16.6 Trends in receipt of social assistance

The number of households receiving all the means-tested assistance benefits increased substantially during the early 1980s, though they have fallen again since then. Table 16.4 shows the numbers in receipt of the main benefits since 1980.

Table 16.4: Beneficiaries of social assistance benefits (heads of families) (thousands)

| Year | Type of benefit | | | | | | Total |
|-------------------|-----------------|-------|-----------------|-------------------|-------------------|------|-------|
| | ABW | RWW | BZ ¹ | IOAW ² | IOAZ ⁵ | TW | |
| 1980 | 258.0 | 105.0 | 0.3 | | | | 363.3 |
| 1981 | 271.0 | 127.0 | 0.3 | | | | 398.3 |
| 1982 | 283.6 | 188.4 | 0.7 | | | | 472.7 |
| 1983 | 290.1 | 304.4 | 0.6 | | | | 595.1 |
| 1984 | 297.3 | 368.9 | 0.7 | | | | 666.9 |
| 1985 | 202.7 | 396.8 | 0.8 | | | | 600.3 |
| 1986 | 200.4 | 393.7 | 0.7 | | | | 594.8 |
| 1987 | 200.4 | 387.0 | 0.8 | 14.9 | | n.a. | 603.1 |
| 1988 | 206.5 | 391.7 | 0.9 | 17.3 | 1.4 | 91.5 | 709.3 |
| 1989 | 213.5 | 372.2 | 0.9 | 18.2 | 2.4 | 92.4 | 699.6 |
| 1990 | 212.3 | 335.9 | 1.5 | 17.5 | 3.0 | 91.0 | 661.2 |
| 1991 | 219.8 | 312.5 | 1.3 | 17.0 | 3.0 | 89.7 | 643.3 |
| 1992 ⁴ | 172.2 | 301.3 | n.a. | 18.0 | n.a. | 93.0 | 584.5 |
| 1993 ⁴ | 168.5 | 314.7 | n.a. | 19.0 | n.a. | 97.0 | 599.2 |

Special provisions for self-employed people

The Act on Income Provisions for Older and partially Disabled Workers (IOAW) was introduced in 1987

The Act on Income Provisions for Older and partially Disabled Formerly Self-Employed (IOAZ) was introduced in 1988

⁴ Provisional figures (excludes people aged 65 or over receiving ABW)

Sources: Dirven, 1993, 1994

Central Bureau of Statistics, 1993

The largest increases in receipt of RWW took place in 1983 (62 per cent) and 1984 (21 per cent). These seem to have been linked partly to a change in the rules for

WWV (unemployment benefit for school leavers without full entitlement). From January 1983 duration of WWV was reduced from two years to one year. This led to a substantial jump in the number of young unemployed people receiving RWW. However, as Table 16.5 below shows, the proportion of beneficiaries under 23 did not change much in 1983 and actually fell in 1984, suggesting that a general increase in unemployment was the main cause. Since the second half of the decade, the numbers have dwindled steadily, aided by the introduction of various temporary municipal employment schemes, which were the forerunners of the Youth Job Guarantee.

The numbers receiving benefits under ABW dropped substantially in 1985 because of a change in the financing of residential care for older people. Before 1985, residential care costs over and above the level people could afford were met by the municipalities from General Assistance, but the 1985 WBO Act transferred this responsibility to the regional provinces. Apart from this change, the numbers have remained fairly steady. The latest provisional figures suggest a fall, but this may only be because people over 65 are not included. A decrease in young beneficiaries over the 1980s has been offset by a small increase among older groups (Table 16.6).

Table 16.5: Beneficiaries of RWW by age group, 1982--1991

| Year | Age group ¹⁴ | | | Total numbers (thousands) |
|------|-------------------------|-------|-------|------------------------------|
| | 22 or under | 23-44 | 45-64 | |
| 1982 | 35.0 | 51.9 | 13.1 | 188.4 |
| 1983 | 36.9 | 51.3 | 11.8 | 304.4 |
| 1984 | 30.2 | 56.4 | 13.4 | 368.9 |
| 1985 | 24.5 | 61.1 | 14.4 | 396.8 |
| 1986 | 21.5 | 62.8 | 15.7 | 393.7 |
| 1987 | 17.7 | 65.0 | 17.3 | 387.0 |
| 1988 | 16.0 | 66.1 | 17.9 | 391.7 |
| 1989 | 14.6 | 66.0 | 19.4 | 372.7 |
| 1990 | 9.6 | 67.9 | 22.6 | 336.0 |
| 1991 | 8.7 | 67.4 | 24.0 | 312.7 |

Source: derived from Table 1.6 in Netherlands Economic Institute (:NEI). 1993

Table 16.6: Beneficiaries of ABW by age group, 1982-1991

| Year | Age group ⁵⁶ | | | | Total nos. (thousands) |
|------|-------------------------|-------|-------|------------|---------------------------|
| | 21 or under | 22-44 | 45-64 | 65 or over | |
| 1982 | 5.2 | 34.3 | 16.7 | 43.7 | 283.6 |
| 1983 | 4.5 | 36.6 | 37.3 | 41.6 | 290.1 |
| 1984 | 3.5 | 38.5 | 18.0 | 39.9 | 297.3 |
| 1985 | 4.7 | 58.5 | 26.8 | 10.0 | 202.7 |
| 1986 | 4.2 | 58.9 | 26.6 | 11.1 | 200.4 |
| 1987 | 3.1 | 59.3 | 26.2 | 11.1 | 200.4 |
| 1988 | 3.5 | 57.9 | 27.5 | 12.0 | 206.5 |
| 1989 | 3.4 | 56.5 | 26.6 | 13.5 | 213.5 |
| 1990 | 3.1 | 58.5 | 27.1 | 11.4 | 212.3 |
| 1991 | 2.9 | 56.7 | 26.9 | 13.5 | 219.8 |

Source: derived from Table 1.9 in NEI. 1993

Table 16.7 shows the numbers of recipients of benefits under ABW (including regular Special Assistance recipients) and RWW in December 1991, by household type.

Table 16.7: Beneficiaries of ABW and RWW by household type, December 1991 (thousands)

| Family type | ABW | RWW |
|------------------|-------|-------|
| Couples | | |
| without children | 13.9 | 32.8 |
| with children | 7.9 | 46.9 |
| Lone parents | | |
| men | 1.7 | 2.0 |
| women | 103.7 | 12.8 |
| Single men | 15.1 | 124.0 |
| Single women | 67.9 | 87.9 |
| Others | 1.8 | 6.2 |
| Total | 212.0 | 312.6 |

Source: CBS, 1993

This shows that by far the largest group of ABW recipients were lone mothers, while those receiving Unemployment Assistance were predominantly single men. However, the proportion of lone parents among the ABW population appears to have dropped since 1980, when they made up around 60 per cent of recipients, while over the same period the percentage of lone parents registered as unemployed and therefore receiving RWW) increased from three per cent to 4.7 per cent. The total figure for ABW includes some 30,000 people over the age of 65, of whom more than half were single women.

There is little information available on what percentage of different population groups are in receipt of assistance benefits at any one time, but a special analysis of the Dutch Socio-Economic Panel carried out for SPRU at the Department of Social Security Studies at Tilburg University provided some indications (Table 16.8).

Table 16.8: Percentage of different household types in receipt of benefit under ABW, 1990

| Household type | Percentage receiving ABW | Percentage in survey |
|-------------------------|--------------------------|----------------------|
| Single persons | 2.6 | 18.5 |
| Couple without children | 1.1 | 32.8 |
| Couple with children | 0.6 | 43.6 |
| Single parent | 26.0 | 3.9 |
| Sharers | 1.1 | 1.1 |
| All households | 1.9 | n = 8558 |

Source: van Oorschot, 1994

It is clear from this that lone parents are the only group with a significant proportion in receipt of benefits under ABW. A different analysis, carried out by the Netherlands Economic Institute (1993), showed that the proportion of households headed by an adult aged between 18 and 64 who were in receipt of RWW varied over the decade between 6.4 per cent in 1982 to 8.4 per cent in 1991, having risen to a peak of 12.4 per cent in 1985.

Duration on social assistance benefits can be long. In 1988, 38 per cent of ABW recipients and 29 per cent of those receiving Unemployment Assistance had been claiming for five years or more (Jehoel-Gijsbers *et al.*, 1993).

The Government does not publish estimates of take-up for these benefits, and there are no recent estimates from other sources. A series of studies carried out in the 1970s and early 1980s, however, indicated that low take-up was common for all the means-tested benefits (van Oorschot, 1991).

16.7 Policy issues

Benefit levels

Social assistance payments are generally regarded in the Netherlands as sufficient for people to live on, at least for a short period. However, if people have to depend

on assistance for periods longer than two to three years. research suggests that a majority of assistance beneficiaries can only manage by incurring serious debt. In 1987, 50 to 60 per cent of all social assistance clients had debts (Woldringh *et al.*, 1987). Furthermore, poverty reports consistently show that lone parents, who are mainly on assistance, together with single female pensioners receiving a state pension, are the categories with the highest percentage in poverty.

Table 16.9 shows the effect of social assistance and other transfers on the percentage of people with incomes below the social minimum.

Table 16.9: Distribution of households below the national social minimum income *le'l* before and after social security transfers, 1986

| | |
|------------------------------|------|
| Always at or above | 60.2 |
| At or above due to transfers | 32.7 |
| Always below | 7.2 |
| Total | 100 |
| Below before transfers | 39.8 |
| At or above after transfers | 92.8 |

Source: Muffels *et al.*, 1990

Containment of expenditure

As in many countries with high social security spending, one of the major areas of debate in the Netherlands on social assistance has concerned ways of restraining or reducing expenditure. The official reply to the social assistance questionnaire suggested that future changes in social policy in the Netherlands 'will have to be geared towards restoring the balance between social desirability and economic feasibility' (Ministry of Social Affairs and Employment, 1994).

Policy debate has been taking place for the last three or four years about restructuring social assistance, focusing, from the Government's perspective, on four partly-related issues:

- cohabitation
- fraud and administrative scrutiny
- decentralisation of administration
- work incentives and labour market policies.

Cohabitation: The cohabitation issue has arisen partly because of demographic and familial shifts in household formation, whereby more people who are not married have been claiming to live independently, while sharing households with others. To some extent this is an issue of lone parenthood and its definition, though scrutiny of lone parents' living arrangements has not been an issue in the Netherlands in the way that it has at times been in the UK. The cohabitation question also goes wider than just this group. At present the burden of proof is on the local authority to show that two people are not living independently. In a consultation paper issued in November 1993, the Minister for Social Affairs and Employment proposed to alter the proportion of the minimum wage available as benefit for single people sharing a household from 60 to 50 per cent, with the burden of proof that they are living independently shifted to the claimant. Where this is proved, s/he will be entitled to the 70 per cent rate. This has now been adopted as policy and was included in new legislation which comes into effect in January 1996.

Fraud: According to civil servants in the Dutch Ministry, it was difficult in the previous social and political climate seriously to raise the question of fraud, until 1989, when the Social Democratic Party (PvdA) entered a coalition with the Christian Democrats. To some surprise in the Ministry it was the PvdA who raised the issue. Since then it has become a major issue in social security in the

Netherlands. although there is no hard evidence of its prevalence. Several reports, one carried out for the Government and others by local authorities, produced some examples of fraudulent claiming, but their main conclusions did not so much estimate the extent of fraud as highlight the variability and general laxity of local authority arrangements for scrutinising claims and controlling possible fraud. The van de Zwan Commission claimed to have found that about 25 per cent of all social assistance claimants were in some way making fraudulent claims, but the evidence was not conclusive. Critics of government proposals to clamp down on fraud argue that the issue has been raised only in order to create a public climate of opinion favourable to cutbacks in benefits. They also point to the municipalities' reports as being part of their lobby to take on greater powers in administering social assistance.

A distinction is sometimes made in discussions of social security fraud in the Netherlands between three types: 'white', 'black' and 'cohabitation' fraud. 'White' fraud refers to people receiving a social assistance benefit while having unreported earnings from official work. The recently introduced linkages of computer files of the social services with those of the tax office and the funds who gather the insurance contributions appear to have reduced such fraud substantially. 'Black' fraud refers to claimants having unreported earnings from the 'black' economy. Figures on the extent of this kind of fraud are very difficult to obtain and no reliable estimates exist. Cohabitation fraud refers to people reporting to be single, while they are actually living with a partner. Again no reliable estimates are available. Proposals by the van der Zwan and Doelman-Pel Commissions are aimed at limiting this kind of fraud by placing the burden of proof on clients. Recently the Central Bureau of Statistics issued a report in which it presented figures on the total number of cases and amounts of fraud that had been *detected* by the different social security administrations. It showed that some form of fraud was detected in four per cent of all social assistance claims.

Decentralisation

The Ministry has proposed to give municipalities greater incentives to avoid abuse by changing the financing split from 90/10 to 80/20. There have also been suggestions that local authorities might be given powers to set their own means-tests and to widen their discretion generally, but evidence emerging of already considerable variations in practice have tended to support those opposed to such a move.

Work incentives

The relatively weak links between social security and labour market policy in the Netherlands were discussed above. This situation has been criticised not only by those supporting expenditure restraint. Engbersen *et al.* (1993), for example, argue that exclusion from the labour market, even with relatively generous benefits, fosters a wider social exclusion and division. The measures instituted so far to deal with this problem were described above, and include placing responsibilities on municipalities to create or provide jobs and work placements, tightening up on the requirements for claimants to seek work, and requiring lone mothers with children older than five to be available for part-time work.

The conventional method of addressing work incentives for beneficiaries is to look at their replacement rates, although it is likely that in the Netherlands, as in the UK, the factors affecting labour market decisions cannot easily be reduced to a simple economic calculation. The National Economic Institute (NEI) has calculated replacement rates for a number of household types in 1990 (Table 16.10).

Table 16.10: Monthly net disposable income at the minimum wage level and equivalent social assistance replacement rates for six household types. 1990

| Type of household | Disposable income (Guilders) | Replacement rates |
|--|------------------------------|-------------------|
| Married couple | 1,778.76 | 0.957 |
| Married couple, 2 children (6-11) | 2,074.76 | 0.963 |
| Unmarried couple | 1,778.76 | 0.95 ⁷ |
| Unmarried couple, 2 children (&-11) | 2,074.76 | 0.963 |
| Single parent family, 2 children (6..11) | 2,074.76 | 0.881 |
| Single (>23) | 1,716.12 | 0.694 |

Source: ⁷E1. 1993

The table suggests that a positive work incentive exists for all household types, especially single people. although for couples the effect is marginal. The calculation does not, however, take into account the effect of housing costs.

Another study examined the disincentive effects on labour market participation by women caused by their partner being in receipt of a means-tested benefit (Kersten *et al.*, 1993). The conclusion was that a disincentive effect did exist. but in practice it was modified or overcome by other more indirect factors.

16.8 Recent and forthcoming changes

Since the first proposal to restructure the ABW in 1989. there have been many proposals in recent years, coming from political parties. unions. and advisory boards. Some of these proposals were absorbed into the recommendations of the van der Zwan and Doelman-Pel Commissions. On the basis of these reports the Ministry of Social Affairs and Employment reached an agreement with the Union of Dutch Municipalities (VNG) on the main lines of the ABW-reforms and the role to be played by municipalities. although initially the Union argued that they were given too little discretion and responsibility.

In the meantime the following important legislative measures were taken:

- decentralisation of special assistance (1991)
- introduction of the Youth Job Guarantee Scheme (JWG) (1992)
- recovery of assistance from ex-partners (1991)
- e obligation for lone parents with no children under six years of age to be available for work (1993).

New social assistance legislation was ratified by the Senate in April 1995. The Act is known as 'nieuwe Algemene bijstandswet' (Abw) and replaces both the old ABW, the RWW and other subsidiary legislation. The main provisions, which come into effect from 1 January 1996. are as follows:

- S reduction in the rates for single people from 70 per cent to 50 per cent and for single parents from 90 to 70 per cent of the minimum wage
- placing the burden of proof of non-cohabitation on claimants
- giving municipalities more discretion concerning earnings disregards and the application of sanctions. in order to improve back-to-work activity (some measures came into effect from 1 October 1994: it is thought that many authorities will turn the former regulations into incentive schemes, such as by offering bonuses to those who succeed in getting part-time jobs or who take up training)
- obliging municipalities to co-operate more with regional labour offices in order to re-integrate long-term unemployed people
- limiting the number of categories of social assistance clients, by simplifying the structure
- improving the quality of municipal administration

- giving social welfare services an explicit duty to inform potentially eligible people about their full entitlements.

16.9 Overall performance

- Ⓜ Social assistance in the Netherlands provides benefits that are broadly perceived as adequate, though only in the short term. Rates are linked, in principle, to minimum wages so beneficiaries can normally expect to share increases in general prosperity. The inclusion of standard amounts for holidays provides a signal that assistance beneficiaries are entitled to a quality of life which is not distinct from that of other citizens.
- The national structure of provision avoids problems of territorial inequity and lays down a clear set of rights and entitlements.
- A degree of individualisation has been achieved by splitting benefit entitlements between couples.
- Special Assistance provides a broad and flexible system for meeting one-off needs, including access to social loans.
- Although benefits may be adequate in the short-term, substantial numbers of people are becoming long-term claimants and some are finding themselves in serious debt.
- e Current efforts to provide incentives and support for beneficiaries to return to work appear to be limited in their effectiveness.
- Local discretionary schemes for meeting needs falling outside mainstream social assistance seem ineffective and poorly co-ordinated.
- Take-up of benefits may be low, although there is little recent evidence to confirm earlier studies.
- Administration of benefits in some localities appears to lack sufficient controls against fraud.

Full names of benefits in Dutch

| | |
|------|---|
| AAW | Algemene arbeidsongeschiktheidswet |
| ABW | Algemene bijstandwet |
| AOW | Algemene ouderdomswet |
| AWW | Algemene weduwen en wezenwet |
| BB | Bijondere Bijstand |
| BZ | Bijstandsbesluit zelfstandigen |
| IAOW | Inkomensvoorziening oudere en gedeeltelijk arbeidsongeschikte werkloze werknemers |
| IOAZ | Inkomensvoorziening oudere en gedeeltelijk arbeidsongeschikte gewezen zelfstandigen |
| RWW | Rijksgroepsregeling werkloze werknemers |
| TW | Toeslagenwet |
| WAO | Wet op de arbeidsongeschiktheidsverzekering |
| WW | Werkloosheidswet |
| WWV | Wet werkloosheidsvoorziening ^g |
| ZW | Ziektewet |
| Z.FW | Ziekenfondswet |

Chapter 17 New Zealand.

17.1 Background

Demography

New Zealand is a small country, with a population of around 3.5 million. Its age structure is significantly younger than that of a number of other countries in the study, with only around 11 per cent of the population being 65 years of age or over. A particularly important feature of New Zealand is that it is officially a bicultural nation. In recent years, the Treaty of Waitangi (signed in 1840) has been used as the framework for the development of a number of significant policy initiatives. Maoris account for around 13 per cent of the total population, and are likely to increase as a proportion of the total because of their *high* birth rates. Generally, the Maori population is economically disadvantaged compared to the rest of the population (although relatively better off than Aboriginals in Australia). Recent data indicate that Maoris make up around 27 per cent of the lowest decile of the equivalent income distribution. New Zealand also has many residents who come from the Pacific Islands, over which it had Trusteeship following the First World War. Many New Zealanders live in Australia: in 1989 there were around 185,000 New Zealanders resident in Australia, either as citizens or visitors. There are no immigration barriers between the two countries for residents of either.

Employment and the economy

Despite the early development of the welfare state, public spending as a whole has tended to be below the OECD average¹. Total outlays were 36 per cent of GDP in 1980 compared to an average of 39 per cent. This reflected the younger age structure of the New Zealand population and the very low levels of unemployment for most of the period between the 1940s and the 1980s, as well as the fact that most benefits (apart from national superannuation) were means-tested. In 1985, social expenditure was equal to 19.8 per cent of GDP compared to an OECD average of 24.6 per cent, with just over 40 per cent of social spending on pensions. In 1990, total expenditure on social security (defined as 'social protection' minus health costs) was estimated as 12.94 per cent of GDP, compared to an average of 16.46 per cent for the European Union countries and 15.12 per cent for the OECD countries outside the EU (OECD, 1994d, Tables lb and lc).

Total tax revenues have generally been close to but just below the OECD average for most of the past 30 years. For example, total tax revenue in 1980 was 33.1 per cent of GDP compared to an OECD average of 34.9 per cent. However, like Australia, the New Zealand social security system is not based on explicit social security contributions, either from employees or employers (with the exception of the Accident Compensation Scheme). Before changes in the mid-1980s, the level of indirect taxes was low by international standards, and as a consequence income tax was very salient, providing three-quarters of total tax revenue in 1980.

New Zealand suffered from a general economic decline for many years, exacerbated by Britain's entry into the Common Market in the 1970s. New Zealand per capita GDP fell from 120 per cent of the OECD average in 1950 to

¹The source of data in this section is OECD Economic Surveys - New Zealand (various years) Paris; OECD unless otherwise specified.

around 73 per cent of the average in 1990 (measured at the same international prices). Per capita GDP is now about 80 per cent of that in the United Kingdom.

This long-term decline was associated with New Zealand's reliance on agricultural production, which was experiencing adverse terms of trade, the competitive weakness of the manufacturing sector and the protectionist policies of successive governments. The National Party (Conservative) Government in the late 1970s and early 1980s embarked on an ambitious programme of government-directed economic development. This proved to be very unsuccessful. Between 1974 and 1984, the Budget deficit averaged 6.8 per cent of GDP per year and international indebtedness (public and private) increased from NZ\$500 million in 1974 to NZ\$ 6,000 million in 1984, or by 800 per cent in real terms. By the middle of the 1980s, net interest payments by government accounted for more than five per cent of GDP and nearly 15 per cent of total government spending.

The Labour Government elected in 1984 introduced sweeping changes in economic policy. The currency was devalued and then floated, and regulation of the financial sector was largely removed. Agricultural subsidies were terminated and protective tariffs were removed from manufacturing. State departments were reorganised along commercial lines and there were selective privatisations. Monetary and fiscal policies were tightened. There was a large-scale shift in the tax system with the introduction of the Goods and Services Tax (GST) a type of VAT. Although income tax has not fallen significantly as a proportion of GDP, it now accounts for two-thirds rather than three-quarters of total tax revenue. By 1994 the fiscal deficit was eliminated.

New Zealand has had one of the most ambitious programmes of privatisation of any OECD country (Stevens, 1992), with privatisation proceeds being equivalent to 14.1 per cent of average annual GDP over the period 1987 to 1991. In the UK, privatisation proceeds have averaged 11.9 per cent of GDP, although over the longer period from 1979 to 1991. The next largest level of privatisation has been in Portugal, at 4.3 per cent of average GDP over the period 1989 to 1991. Despite this, in 1990 New Zealand still had one of the highest levels of net public debt of any OECD country, at 62 per cent of GDP, exceeded only by Belgium, Ireland, Italy and Greece. More recently the gross debtⁱ/GDP ratio has begun to fall sharply. It was 55 per cent in 1994 and is expected to fall below the 50 per cent level in 1995.

While there were important changes in social policy in this period, Sieper and Wells (1991) argue that there was an effective compact between factions of the Labour Government so that economic reforms were advanced while social programmes were left relatively unscathed. Partly as a consequence of these economic reforms, however, unemployment increased steeply. Before the mid-1970s unemployment was generally below one per cent of the labour force, and even in 1980 it was only 3.9 per cent compared to an OECD average^e of 10.9 per cent. The standardised unemployment rate for 1993 was estimated as 9.5 per cent - significantly higher than the OECD average of 7.8 per cent (OECD, 1994a) - and other estimates put it as high as 12 per cent in 1994. In the course of 1995 unemployment has begun to fall.

The Labour Government lost office in 1990 and the National Government instituted a very wide range of social policy changes, to be discussed below. It is important to appreciate, however, that these changes should be set against the background of severe and fundamental economic difficulties and high unemployment, together with a welfare system that had many extremely generous features.

The political framework

New Zealand is a small country and while local authorities have some important responsibilities, social security policy and administration has long had a national

and centralised structure. One important and unusual feature of the political system, which has arguably contributed to the possibility of more radical cutbacks in social protection than often seen in advanced economies, is that there is no upper or revising House of Parliament. Policy decisions and legislation passed by a simple majority in Parliament are not subject to any further consideration or amendment. However, the current ^sovernment has a parliamentary majority of only one and will be facing an election under a new proportional representation system which will make governments with large majorities less likely.

17.2 The social security system

New Zealand has long *been* regarded as a pioneer in social reform, being the first country in the world to introduce universal female suffrage (1893), and one of the first countries to introduce old age pensions (1898). A comprehensive welfare system was established in 1938, with the introduction of superannuation (in addition to means-tested age pensions), a national health service, and a comprehensive range of income-related benefits. The scope and generosity of benefits was further widened in the mid-1970s with the introduction of universal national superannuation from the age of 60, and a no-fault Accident Compensation Scheme. As will be discussed below, benefit levels were probably among the most generous in the world.

As previously noted, the New Zealand social security system is broadly similar to the Australian system, and differs from those in nearly all other developed countries, in that it contains virtually no social insurance features. As with the Australian system, this means that it is difficult to define precisely what constitutes social assistance. One could argue either that virtually all payments are a form of social assistance (except Accident Compensation), or that the only real assistance payment is the discretionary Special Benefit. Given that the more restrictive definition would severely restrict the amount of information provided, the more comprehensive approach is adopted here.

The framework for social security reform in New Zealand was set by a number of successive reviews - the Budget '85 Task Force (1985), the Ministerial Task Force on Income Maintenance (1986), the Ministerial Review into Benefit Fraud and Abuse (1986), and the Department of Social Welfare's Review of Income Security for the Elderly (1988). All these were part of the normal framework of government, but in addition, there was a Royal Commission on Social Policy which produced Working Papers on Income Maintenance and Taxation in 1988. The reform of the tax system also necessitated major changes to the social security system, both in terms of compensating beneficiaries for the introduction of the broad-based consumption tax, and as a result of changes to assistance for families generally.

The main thrust of many of the proposals from these reviews was for simplification and standardisation of benefits, including standardisation of income tests. At the same time as simplification of the system was pursued, the reviews also suggested that some levels of benefit - particularly for lone parents - were over-generous. In the event, real benefit levels fell over this period, as a result of direct cuts in 1991 and a two-year freeze in 1991 and 1992 on indexation of Superannuation. This was introduced at the rate of 10 per cent, and later increased to 12.5 per cent. O'Brien (1993, p.36) estimates that the real level of National Superannuation fell by 8.8 per cent, while benefits for a lone parent with one child fell by 10 per cent in real terms. In addition, in 1985 the Government introduced a tax surcharge on National Superannuation, which recouped the equivalent of around five per cent of total expenditure - in addition to the 20 per cent recouped through the application of the standard tax scale to the payment_

Despite these changes, benefits were still generous in comparative terms. For example, the level of National Superannuation for a single person in 1991 was equivalent to £66 pounds per week. This compares with a level of Income Support in the United Kingdom at the time of just over £53 per week for a single pensioner.

or about 80 per cent of that in New Zealand_ In New Zealand, the pension is available without contributions and from the age of 60 years. It should also be noted that national income per head in New Zealand (adjusted by purchasing power parities) is about 80 per cent of that in the United Kingdom.

In addition, welfare costs continued to increase because of the rising number of recipients of working age. Table 17.1 shows comparative trends in the total number of welfare recipients in Australia and New Zealand, as well as budgetary costs. Table 17.2 provides further details for lone parents receipt of benefits and for the number of unemployed. Table 17.2 shows that pensioners and beneficiaries comprised nearly a quarter of the New Zealand population in 1991 and were equivalent to more than half of the labour force. Because of the greater number of recipients and the relatively more generous benefit levels. social security spending as a percentage of GDP was more than twice as high in New Zealand as in Australia in 1991 (though it has fallen since then). The level of receipt of benefits by lone parents in New Zealand is very much higher than in either Australia or the United Kingdom. In addition, the deterioration in unemployment up to the mid-1990s is clearly evident in the increase in unemployment beneficiaries as a proportion of the population of labour force age.

Table 17.1: Comparison of trends in the Australian and New Zealand social security systems. 1975 to 1993*

| | Australia | | | New Zealand | | |
|---|-----------|------|------|-------------|---------|------|
| | 1975 | 1985 | 1991 | 1975 | 1985 | 1991 |
| Pensioners and beneficiaries as a percentage of the total population ** | 13.3 | 20.5 | 20.6 | 11.1 | 18.3 | 24.1 |
| Pensioners and beneficiaries per 100 persons in the labour force** | 30.2 | 44.5 | 42.1 | 27.8 | 42.7 | 51.1 |
| Dependent children of pensioners and beneficiaries as percentage of the population under 16 | 7.8 | 17.9 | 20.9 | ma | 14.1 | nia |
| Expenditure on social security as percentage of: | | | | | | |
| GDP | 5.6 | 7.4 | 6.5 | 6.9 | 11.5*** | 13.4 |
| (C'walth) budget outlays | 19.4 | 24.8 | 25.7 | 20.6 | 27.9*** | 33.9 |

Notes: * Numbers of recipients are at 30 June each year and expenditures are for the year ending 30 June

Includes spouses of beneficiaries and pensioners

*** Figures refer to 1984

Source: Calculated from official questionnaires

Table 17.2: Beneficiaries as a percentage of the population. lone parents and the unemployed, United Kingdom, Australia, and New Zealand. 1980 to 1991

| | Beneficiaries as percentage of population aged 15-64 years | | |
|---------------------|--|-----------|-------------|
| | United Kingdom | Australia | New Zealand |
| <i>Lone parents</i> | | | |
| 1980 | 1.31 | 2.01 | 1.93 |
| 1985 | 1.82 | 2.77 | 4.74 |
| 1991 | 2.88 | 2.64 | 4.47 |
| <i>Unemployed</i> | | | |
| 1980 | 4.44 | 3.20 | 1.06 |
| 1985 | 6.90 | 5.59 | 1.80 |
| 1991 | 4.71 | 4.61 | 6.54 |

Source: calculated from official questionnaires

In this context. the National Government took a number of major steps to reduce public spending. In the beginning of 1991. benefit levels were cut substantially in money terms (rather than being uprated for inflation). For an unemployed couple

without children, the cut was around three per cent. For a single unemployed person aged 20 to 24 years, the cut was almost 25 per cent, while for a lone parent with two children, the cut was around nine per cent. There were also initiatives to tighten eligibility and entitlement criteria including extensions of waiting periods for benefits. It is estimated that these cuts, along with the decision not to uprate National Superannuation for inflation in that year, yielded savings equivalent to ten per cent of total social security expenditure. By 1993/94, social security expenditure had fallen to 11.85 per cent of GDP.

In conclusion, it should be noted that a range of further changes to welfare arrangements have been instituted more recently, and these are discussed later in the chapter.

17.3 Social assistance

Introduction

The basic social assistance benefits in New Zealand currently fall into the following groups:

- *Income-tested social security benefits*
 - Unemployment Benefit
 - Trainee Benefit
 - Sickness Benefit
 - Invalids Benefit
 - Widows Benefit
 - Domestic Purposes Benefit
 - Transitional Retirement Benefit
- *New Zealand Superannuation*
- *Student Assistance*

Legislation and policy objectives

Current legislation covering social assistance includes the Social Security Act 1964, the Social Welfare (Transitional Provisions) Act 1990, the Education Act and the Income Tax Act 1976. Legislation does not specify particular objectives for benefits. Current Government policy on social assistance is to provide targeted assistance to those most in need, whilst at the same time discouraging long-term dependence on the state and fostering self-provision. The Government view is that every individual has a responsibility to support themselves and their family where this is possible. There is a concern to contain and reduce the cost of welfare expenditure, while at the same time ensuring that a modest-but-adequate safety net is maintained.

Administrative and regulatory framework

Social assistance schemes are governed by National regulations. Most of the details of entitlements are set in statute. The rates of benefit are fixed nationally. Unemployment benefit and the New Zealand Superannuation are administered through the New Zealand Income Support Service of the Department of Social Welfare, a central government department. Student assistance is administered jointly through Crown-owned tertiary education institutions and the central government Ministry of Education.

General conditions of entitlement

1. Income-tested social security benefits

These are available to all who meet the eligibility requirements. There are specific rules for each benefit type, together with generic rules related to residence, income and treatment according to family and marital state.

The specific rules for each income-tested benefit are briefly as follows:

Unemployment Benefits: Claimants of the adult Unemployment Benefit must be aged 18 years or over, be genuinely unemployed and be seeking work (students and striking workers are not eligible). Unemployment Benefit is subject to a 'waiting period' which takes into account previous high income and 'voluntary' unemployment.

The Independent Youth Benefit is for unemployed people aged 16 and 17 years, without any previous work record. Students are not eligible unless other means of financial support, such as from parents, are not available. Formerly employed young people aged 16 and 17 years can claim a Job Search Allowance provided they have previously been employed for six months.

The 55+ Benefit was introduced in 1992 and in general the entitlement criteria are similar to Unemployment Benefit except that the work test requirements are less stringent. Claimants must be aged 55 to 60 years and have been unemployed for at least six months before transferring on to this benefit.

Training Benefit: is for unemployed people attending approved short-term training of less than six months in duration.

Sickness Benefit: is for people aged 16 years and over, incapacitated by illness or injury from working and who have lost income as a result.

Invalid's Benefit: is for people aged 16 or over, who are totally blind or permanently incapacitated from working. Eligibility is through a medical assessment.

Widows' Benefit: is for surviving wives aged at least 16 years, with or without children. The applicant must have been legally married. The applicant must have either dependent children, or have been married and dependent for at least five years before the death of the husband. Entitlement does not extend to widowers. Where there are no dependent children, the widow must be aged at least 40 to qualify. Five years residence in New Zealand is required by the widow, or three years for both spouses before being widowed.

Domestic Proposes Benefit is for:

§ lone parents (either father or mother - other than widows) aged at least 18 years and caring for at least one dependent child

® former lone parents, or separated or divorced women who have lost their husbands' support, and are aged 50 or over

people aged at least 18 years, caring for a sick or infirm person (other than a spouse) who would otherwise be in hospital or residential care.

Transitional Retirement Benefit: is payable to retired people who are aged over 60 years, but are not old enough to qualify for New Zealand Superannuation. It is paid at a lower rate than Superannuation and is subject to the social security income test which includes the income of spouses.

2. New Zealand Superannuation

This is available to any person who has reached the qualifying age (currently being increased in three-month steps, from 60 to 65 by the year 2001), and who meets the residence test (ten years since the age of 16 years, including the last five years in New Zealand). The New Zealand Superannuation (formerly known as National Superannuation and before that Guaranteed Retirement Income) is not income-tested through the benefit system, but is *subject* to a tax surcharge on other income over certain limits. Income over NZ\$860 a week (for each married person) or NZ\$80 per week (for a single person) attracts the tax surcharge of 25 per cent, but

50 per cent of income from approved private pension schemes is disregarded. There is no assets test. but Superannuation is taxable.

3. *Student Assistance*

Student Allowances are payable to higher education students for up to three years whilst they are in approved study. The allowances are income-tested and subject to educational 'pass' requirements. They are available for students aged 16 years or over. Secondary *students* can qualify if they are at least 18 years on 1 January of the relevant academic year. They must be permanent residents or citizens of New Zealand. Student assistance is taxable.

Residency and nationality

All benefits are subject to prior residence requirements of a minimum of 12 months (for Unemployment and Sickness). and up to ten years for Superannuation and Invalid Benefit. For Widows and Domestic Purposes Benefit, recipients must have lived in New Zealand for five years, or three years for both spouses. before being widowed. For all benefits, the applicants must reside in New Zealand, except for Superannuation.

Benefits are not restricted to New Zealand citizens, and indeed some New Zealand citizens would not qualify for benefits or Superannuation. Cook Islanders, for example. are New Zealand citizens. as the Cooks are a self-governing territory of New Zealand. but unless they have lived in New Zealand for the appropriate length of time they will not qualify. Recipients are required to have 'residency'. This means that tourists, or people on limited duration work permits are excluded.

Refugees are able to claim emergency benefits, which are analogous to the unemployment benefit, provided *they* are part of a recognised refugee programme. or have been granted asylum by the Immigration Service. People who claim to be refugees, or who claim asylum, but are not assessed as *bona fide* and who have no permit to be in New Zealand, are deemed to be illegally in New Zealand and are not entitled to benefit support.

Income-tested social security benefits and student allowances are not portable to other countries. New Zealand Superannuation, however, is partially portable. as recipients can take 50 per cent of their gross entitlement to any country with which New Zealand does not have a reciprocal social security agreement. Where New Zealand does have a reciprocal agreement, New Zealand Superannuation can be payable. or the local equivalent can be payable, with New Zealand reimbursing or reciprocating with the respective authority. Agreements covering social assistance exist with: Australia. United Kingdom, the Netherlands, Ireland and Greece. A special agreement also exists with the Governments of the Cook Islands, Niue and Tokelau, which are the *three* self-governing territories of New Zealand.

Publicity about the social security system is provided in a variety of languages, including Maori. most Pacific Island languages and now several Asian languages. In areas with large Maori and Pacific Island populations. there is also a policy of recruiting desk staff from those ethnic groups. thereby minimising language and interpretation difficulties.

Duration of benefit entitlement

There are no time limits on the duration of coverage of social assistance. with one exception. Receipt of the Job Search Allowance. for youths aged 16 and 17 years who have formerly been employed, is limited to three months, after which the expectation is that they will undertake a training or educational activity if they cannot find employment.

Unemployment beneficiaries, including recipients of Job Search Allowance and the Independent Youth Benefit, are required to be actively seeking employment. There is no requirement for lone parents to seek work, except where they choose to receive an Unemployment Benefit. Programmes are being piloted, however, which will encourage lone parents to search for work where this is feasible, given their caring responsibilities. Recipients of the 55+ Benefit are required to be seeking work, but they are not *subject* to the same continuing test of work-readiness and job search as younger claimants. Nor are they required to be registered with the Employment Service after the first six months of benefit receipt.

Other recipients must demonstrate that they are seeking work by registering with the Employment Service and by completing a job search declaration on a regular (usually monthly) basis. They are also required to provide proof of job search activity when requested to do so and to attend interviews with the Employment Service after being registered more than six months. Additionally the recipients are also required to be prepared to attend interviews with employers and to accept any offer of reasonable employment. Sanctions can apply for failure to meet these requirements.

Recipients of the Training Benefit are required to attend the training schemes on which they are enrolled. There are also several special work schemes open to the long-term unemployed. These are run through the Employment Service and are targeted at those registered as long-term unemployed, rather than those on benefit long term. The special work schemes are relatively small scale and are not compulsory. However, an unemployment beneficiary who has voluntarily left a job, or otherwise incurred the 26 week waiting period, can have his or her 'slate wiped clean' if they enrol in an approved training course or undertake a special work programme. 'Contracts' with beneficiaries are being considered as a means of improving compliance with work tests and other requirements. This policy is at a preliminary stage, but will be likely to target the longer-term unemployed, with the Employment Service and the Income Support Service working to encourage certain recipients to undertake specific job search or work-related activities, as a condition of continuing entitlement.

Self-employed people can receive benefits provided that they meet all the necessary criteria. Entitlement to Unemployment Benefit can be granted where a former self-employed person satisfies the Department that he or she has ceased operating, and is seeking alternative employment, and is available to accept an offer of employment. Coverage does not usually extend to cover seasonal down-turns in an occupation.

There is no restriction on working whilst receiving a benefit, except that:

- recipients of Unemployment Benefit must be available to undertake permanent employment and must continue to fulfil their job search requirements
- recipients of all social security benefits, including the unemployed, must declare any income from employment
- for Sickness Benefit recipients, work would usually invalidate the medical assessment of being incapacitated
- Student Allowance recipients have no restriction on the number of hours of paid employment, but there is a limit to entitlement, depending on the level of earnings.

Relatively little research has been carried out on the duration of unemployment in New Zealand and even less on duration of receipt of other benefits, but the evidence suggests that the trends are similar to those for Unemployment Benefit. In 1988, 22 per cent of the unemployed had been unemployed for more than

27 weeks: by 1992, this had risen to 44 per cent and by 1993 to 50 percent. The Department of Labour (1993) indicated that one-third of the labour *force* were registered as unemployed at some period over four years. The experience of unemployment differed between these people, with 10 per cent of the total number of people accounting for one third of all time spent in unemployment over the four years, and 5b per cent of the people accounting for 90 per cent of time spent on the register.

Of those enrolled as unemployed in mid-1992, one-quarter had left the register within eight weeks. The Department of Labour (1993) used this to argue that access to information, vacancies and assistance with job search techniques may be sufficient to enable many job seekers to find jobs. After 19 weeks, half of the unemployed have left the register and by one year 83 per cent will have left. At given durations of unemployment, certain groups have lower exit probabilities, including people with low educational qualifications. Maoris, men and those over 50. Barriers for the long-term unemployed included health problems, lack of work history and poor skills.

The current policy results from this analysis. For those who have only recently started seeking work, relatively low-cost measures aimed at assisting self-placement are available. As duration increases, more resource-intensive programmes are introduced, designed to assist in job search and motivation, and to provide work experience and skills. After six months' job search, job seekers attend work-focus interviews to identify their individual needs, supplemented by training options and job subsidy programmes. Nationwide computerised job-matching services are available, with the Employment Service being the major recipient of job vacancies. Long-term unemployed people can join Job Club courses and evaluations have shown *that* 35 per cent found work within two months of the course, which provides group support, job search techniques and skills. One day seminars are available, and research showed that 17 per cent had found work within one month after the seminar. Other programmes include Taskforce Green (34 per cent in work one year later compared to 17 per cent for a control group); a Job Plus programme of subsidised employment (average subsidy .NZ\$153 per week, 23,000 people assisted, 50 per cent do not re-enrol); plus referrals and subsidies for training.

Recent research on lone parents has shown that 43 per cent stopped claiming benefit because of a change in marital status, 17 per cent were placed in work, 12 per cent transferred to another benefit, and 11 per cent because a child left care or exceeded the maximum age (Rochford, 1993). Levine *et al.* (1993) showed that the biggest barrier to employment was availability of work, especially within the immediate locality, and hours suitable for arranging child *care*. This was followed by costs and availability of child care, and then the benefit income test, especially the 'free zone' before earnings are taken into account. They also found that there was a need for the benefit to continue for several weeks after finding employment, in order to tide people over until the first pay cheque arrives. Whilst there was a recognition that training would be useful, its costs had to be reduced, child-care facilities organised, and information on its availability increased.

At present, most of the schemes to encourage lone parents to return to the workforce form part of the general schemes for the unemployed, and it is difficult to evaluate their effectiveness as many of the recorded moves into the labour market may have occurred anyway, or resulted in employment displacement. A trial child care/training^g; job support package along the lines of the Australian JET scheme is under way, having received overwhelming support from a survey of sole parents (Levine *et al.*, 1993).

The benefit unit

Entitlement to social assistance is based on the family. In this context, 'family' is taken to mean one of the following:

- a married or cohabiting couple with or without dependent children

- a lone parent with dependent children
- e a single person without dependent children.

Households can contain more than one family by this definition. In respect of Student Allowance, where parental income for single students aged under 25 is taken into account, a unit of assessment can extend beyond one household. In the case of Superannuation, a hybrid situation exists, where a married person has an entitlement irrespective of their spouse. However, the level of assistance recognises the needs of the spouse, subject to an income test.

The rules concerning who can apply in the benefit unit and to whom the benefit is paid vary according to the specific benefit. For social security benefits, either partner of a heterosexual couple can claim a benefit for the family. The applicant must meet the appropriate eligibility criteria, that is, be unemployed, sick or disabled. The income, but not the employment status, of their spouse will be taken into account in determining the level of assistance (via the income test). An exception is in the case of a striking worker. The striker is ineligible for unemployment benefit, but their spouse can claim a reduced benefit if they meet the rules. There would be no element to cover the living costs of the striking partner. In the case of couples receiving a benefit, the payment is split equally between partners.

Each applicant for Superannuation must apply in their own right if they both qualify. They would each get a married person rate. In the event that one spouse qualifies but the other does not, there are two options: either the qualified spouse can apply in his or her own right for the married person rate and seek no entitlement for a spouse, in which case the standard income tax surcharge can be applied; or the qualified spouse can apply for a married couple rate, to include a payment for the non-qualified spouse, in which case there is a stricter benefit income test applied and the surcharge is still applied if other income exceeds the surcharge limit. The rate payable is slightly less than if each spouse qualified in their own right.

Conditions for counting two adults living in the same household as a cohabiting couple for benefit and Superannuation purposes are where the couple have established a relationship between a man and a woman which is assessed to be 'within the nature of a marriage'. Homosexual relationships are not recognised in this respect. A range of factors beyond whether a sexual relationship exists are used to determine whether there is a relationship in the nature of a marriage'. These include how the couple view themselves, how others, including family and neighbours, see them, the extent to which their finances are inter-related, whether they holiday or undertake other activities together, and joint ownership of property.

For Student Allowances, a stricter definition of cohabitation exists, which includes legal marriage and the presence of children who are biologically those of both adults. Within the student system, there are advantages, for those under 25, in being considered married, because the parental income test is not applied.

Related adults, other than a married couple, can claim benefits separately. Dependent children would normally be included in the claim where they were under the care of the applicant. Foster children, however, are not included in a claim, as separate arrangements exist under other legislation for the cost of their upbringing.

Children are defined as 'dependent' for benefit purposes up to the age of 16 or until the end of the school year in which they turn 18 if they remain in full-time education.

Income and assets tests

The applicant's income and resources, and their spouse's (where there is one) are taken into account when assessing claims for social assistance. Children's income is not included. The income of a non-resident spouse can be included if the spouse is included in the claim (living apart to undertake training, for example). For lone parents, the income of a non-custodial parent is taken into account in determining Child Support liability. The forms of income included are earnings, child maintenance paid by a parent no longer living with the family, investment income, income from sub-tenants and lodgers, gifts and payments from charities (only if these take the form of regular income). Training allowances, other social security benefits and the value of an owner-occupied house are excluded from the basic benefit assessment.

Gross earnings (before tax) are used for the income test assessment and for the Superannuation surcharge. As mentioned above, for Superannuation only 50 per cent of private pension income is taken into account.

There is no assets test applied either to basic benefits or Superannuation. However, income from assets (such as rent from a property and interest on investments) is taken into account. The level of cash savings is not relevant to the grant of a basic benefit, but cash assets are relevant to various forms of additional assistance, and can also be taken into account in cases where an emergency benefit is claimed (see below).

For income-tested benefits, the net payment is reduced at a rate of 30 cents per dollar on income which exceeds the exempt amount of NZ\$50 per week (or \$60 per week *where* there are dependent children), up to NZ\$80 per week of additional income. In 1993 purchasing power parities NZ\$50 was the equivalent of around US\$32 or £20. Above these levels benefit is withdrawn at a rate of 70 cents in the dollar. The Superannuation surcharge is set at a rate of 25 cents in the dollar on additional income in excess of NZ\$60 per week for each married person, and NZ\$80 per week for a single person. The Student Allowance has an all-or-nothing income test. If income in the relevant period exceeds the exemptions, then there is no entitlement.

Some other earnings are disregarded in the assessment. There is a special additional exemption of NZ\$20 per week for sole parents on benefit, where they receive income and ^{IN} here their child is in child care. There is also a special additional exemption of NZ\$20 per week on the personal earnings of disabled people in receipt of Invalids Benefit. A further exemption can be extended to Invalids Beneficiaries (usually for those in sheltered employment). For totally blind people who receive an Invalids Benefit, there is a total personal earnings exemption. There can also be a small subsidy available for blind beneficiaries working full time.

There was considerable debate in New Zealand in the late 1980s over the unit of assessment for benefits (Department of Social Welfare, 1985, 1986; Royal Commission on Social Policy, 1988; St John, 1991). The effect of having a secondary earner often leads to very high effective marginal tax rates on overall family income, through income tax plus reduction of family benefits. St John (1991) claimed that the movement to 'family accounts' in the 1991 Budget would increase the effective marginal tax rate on women as they enter the labour market and contended that 'the Government wants to recreate the family of the past'. On the other hand, the Royal Commission on Social Policy (1988) recommended movement towards the individual, with a uniform rate for all individuals and possibly a living-alone allowance.

Policy towards receipt of the benefit has altered from the debates, even if the unit of assessment has not. All benefits, including allowances for dependent children, are now shared between the partners irrespective of who is claiming the benefit. A recommendation from the Royal Commission on Social Policy (1988), that people

with child-care responsibility be paid, was never seriously on the political agenda, but it did result in the Domestic Purposes Benefit being extended to people caring for elderly or disabled dependants. This is now paid at a higher rate, partly in recognition of the extra costs of care.

In families with children, only the parents' resources are taken into account in calculating the amount of benefit, but the benefit is designed to cover all dependants. Thus unemployed young people can receive an unemployment benefit in their own right irrespective of parental income, and receipt of this benefit does not impact on the parents' eligibility. The needs of the young person are not taken into consideration in calculating the parents' benefit. One issue which can arise is the problem of extended families, especially for Maoris, where often a child is looked after by the grandparents or other family members. There is little formal provision for these circumstances, although it is possible for a grandparent to claim Family Support in lieu of a parent, and in some cases this can extend to Domestic Purposes Benefit. Other informal arrangements are also often made at district office level.

Benefit levels

Benefit levels are set nationally by Parliament, taking account of information on income requirements, prevailing wages and fiscal affordability. From 1972 to 1991, benefits were largely based on the indexed value of 80 per cent of a prevailing low wage, as calculated in 1972. Relativities across family and benefit types were set, taking some account of equivalences (especially across couples versus single people). No formal relationship existed, however, and relativities varied over time as some parts of the rates structure were indexed (such as the base rate) while other elements were not (such as family payments). In 1991 the Government reduced most benefits, introducing differences between benefit categories and making greater differentiation between entitlements for young people and adults. The new rates structure took particular account of the margin between benefits and prevailing low wages, and fiscal cost. No firm pattern exists across the different rates. Since 1991, benefit rates have been indexed annually to the movement in prices. From 1977 until 1989 superannuation was linked to the average weekly wage, with the couple rate set at 80 per cent. Since then the wage link has been modified, so that the rates are indexed to price inflation. This movement is subject to a 'floor' of 65 per cent of the average wage, and a 'ceiling' of 72.5 per cent of the average wage, so there remains a partial link to wages. The wage relativity was reduced by non-indexation between 1990 and 1993. The requirement to adjust New Zealand Superannuation is in statute, whereas the requirement to adjust social security benefits and Student Allowances is a matter of policy.

The rates for social assistance benefits at May 1992 and May 1993 are shown in Table 17.3. The rates do not include the payment for children from the tax system. This is called Family Support and is available to all low-income earners, including beneficiaries, where there are dependent children (see below).

Table 17.3: Main monthly benefit rates at May 1993 in New Zealand Dollars per month, with equivalents in US Dollars and £ Sterling adjusted by purchasing power parities and rounded

| | NZ\$ | US\$ | £ |
|-------------------------------------|----------|------|-----|
| Unemployment and training | | | |
| without children | | | |
| single 16-17 | 381.98 | 248 | 156 |
| single 18-24 | 479.66 | 312 | 196 |
| single 25 and over | 575.64 | 374 | 235 |
| married couple | 959.31 | 623 | 392 |
| with children | | | |
| single + 1 | 824.50 | 535 | 337 |
| single 2 + | 899.43 | 584 | 367 |
| married couple with children | 1,019.37 | 662 | 416 |
| Independent Youth Benefit | 479.66 | 312 | 196 |
| Job Search Allowance | 381.98 | 248 | 156 |
| Sickness | | | |
| without children | | | |
| single 16-17 | 479.66 | 312 | 196 |
| single 18-24 | 575.64 | 374 | 233 |
| single 25 and over | 599.60 | 389 | 245 |
| with children | | | |
| single + 1 | 824.50 | 535 | 337 |
| single 2 + | 899.43 | 584 | 367 |
| married couple with children | 1,090.27 | 708 | 445 |
| Invalids | | | |
| without children | | | |
| single 16-17 | 582.23 | 378 | 238 |
| single 18 and over | 718.51 | 467 | 294 |
| married couple | 1,199.21 | 779 | 489 |
| with children | | | |
| single + 1 | 945.14 | 614 | 386 |
| single 2 + | 1,014.91 | 659 | 414 |
| married couple with children | 1,199.21 | 779 | 489 |
| Widows and Domestic Purposes | | | |
| women alone single adult | 599.60 | 389 | 245 |
| lone parent + 1 | 824.50 | 535 | 337 |
| lone parent 2 + | 899.43 | 584 | 367 |
| Domiciliary care | | | |
| single 16-17 | 582.33 | 378 | 238 |
| single 18 and over | 718.51 | 467 | 294 |
| lone parent + 1 | 945.14 | 614 | 386 |
| lone parent 2 + | 1,014.91 | 659 | 414 |
| individual married rate | 599.60 | 389 | 245 |
| Superannuation | | | |
| single, living alone | 998.31 | 648 | 407 |
| single, sharing | 910.82 | 591 | 372 |
| married couple, both qualify | 1,487.89 | 966 | 607 |
| married couple, 1 spouse qualifies | 1,421.33 | 923 | 580 |

Source: NZ Department of Social Welfare, official questionnaire, 1994

Other assistance-linked income-related benefits

Apart from those already described, the only two other significant benefits are Accommodation Supplement (see 17.4 below) and Family Support.

Family Support is the main income support payment for families in work, though it is also available to people on benefits. It is a tax-based, cash payment for all families with dependent children who meet the income criteria. In May 1993 it was payable at maximum rates of NZ\$842 per week for the first child (around US\$827 or £17), and NZ\$22 per week for each subsequent child, except that every child aged over 15 attracted a rate of NZ\$842 per week. In October 1993 the rates were changed so that after the first child, those aged up to 12 years attracted NZ\$824 per week and those aged 13 NZ\$35 per week. The maximum rates were payable where income from parents is under NZ\$17,500 per annum (approximately US\$11,400 or £7,100). This reduces at 18 cents for each dollar between NZ\$17,500 and

NZ\$30,000, and at 30 per cent on income above this. In 1994 the income threshold for the maximum payment was raised to NZ\$20,000 per annum.

Family Support payments are made to the caring spouse, where there are two parents - normally the mother. Where the parent(s) are on benefit, the maximum amount is automatically paid. Income is assessed from the annual tax return, with an application before the start of the tax year and an end of year reconciliation as part of the tax return. Applications can also be made during the year or at the end of the tax year, in which case entitlement is payable as a lump sum. There are no hours of employment rules.

Within the Family Support system there is a more tightly targeted in-work payment for those with low incomes and dependent children. This is the Guaranteed Minimum Family Income (GMFI). The GMFI is payable to the parent with main caring responsibility in families where the parents work at least 30 hours per week (couples), or at least 20 hours a week (lone parents). The payment is calculated to be the difference between the actual income received and NZ\$278 net per week (after tax is deducted, but before Family Support is added). It then reduces dollar for dollar as income increases until the GMFI level is passed. This is also part of the annual application declaration cycle for Family Support and is paid along with it.

One-off and urgent payments

Special needs can be met through application for a Special Needs Grant (SNG). Grants can be recoverable, or non-recoverable, depending on the type of need: grants for food, for example, are non-recoverable, whereas payments for clothes are treated as loans. Generally, it is a pre-requisite that the need must have arisen from an emergency and payments are limited to a maximum of NZ\$200. Only one grant can be made for the same or similar need at one time and there is also a limit to the amount of aggregate grants for a single purpose in any one year - for example, NZ\$150 for food for a single person. Special Needs Grants cover a range of items, such as food, clothes, housing deposits and fuel costs, essential appliances, school costs, car safety restraints for children, medical expenses, essential travel costs and school uniforms.

A Special Benefit is also available in addition to Special Needs Grant, to meet situations of continuing income deficiency. Special Benefit rules require that an applicant must be at least NZ\$20 per week short of basic needs before benefit is awarded and the payment is the shortfall less the NZ\$20. There is a maximum level set at 30 per cent of an applicant's fixed costs. These include costs such as accommodation, specific travel or disability costs. Special Benefit can be paid in a lump sum where this is the best way of reducing a family's income deficiency, and does not have to be repaid. Until the early 1990s, Special Benefit was rarely awarded - in 1987 only 385 payments were made. By 1994, however, the number of people receiving the benefit rose to 32,305.

Both Special Needs Grants and Special Benefits require people to use any resources they have first and neither are available to students or the self-employed.

A Disability Allowance can also be paid to meet an urgent or on-going need arising from the special costs of a disability. It is available to any beneficiary or to others who would qualify on low-income grounds for an Invalids Benefit. The maximum amount payable is NZ\$38.50 per week.

Special Needs Grants, Special *Benefit* and Disability Allowance are administered by the Department of Social Welfare and budgets are demand driven. The programmes are governed by Ministerial directives, but *both* contain an element of discretion whereby the formula can be set aside or varied where appropriate.

When benefits were reduced in 1991, there was a recognition that greater use of Special Benefits and one-off Special Needs Grants would be required. Because of policy changes, it is not possible to give an estimate of the increase in expenditure on SNGs after 1990, but since 1992 there has been an increased demand for grants. In many cases, however, applicants are first sent to a food bank for assistance and budgetary advice (Cody and Robinson, 1993). Once budgetary advice has been received, and with the help of the food bank administrators, SNGs are easier to obtain (Whale, 1993). This approach has resulted in political controversy, but is consistent with the focus on increased individual, family and community responsibility for meeting costs previously met by state-funded social assistance (Department of Social Welfare, 1991).

Fringe benefits and concessions

People with low incomes are eligible for help towards health-care costs. Access is via an entitlement card system, the Community Service Card. Where a person qualifies for a card, and requires medical treatment for which there is a fee, such as GP consultations, prescriptions or out-patient treatment, presentation of the card gives access to a reduced charge. Community Service Cards are available to people with incomes below NZ\$26,000 per annum for a married couple, NZ\$17,500 per annum for a single person living alone and NZ\$16,500 per annum for a single person sharing. Emergency payments are also available, on a case by case basis, if the person cannot afford the reduced charge.

The Department of Internal Affairs, responsible for local government, operates a local rate rebate scheme, which reduces the liabilities of low-income rate payers. A rebate of up to NZ\$200 is available for people within the income limits. The income limits are NZ\$7,400 per annum, plus NZ\$156 per dependant. Application is made through local authorities.

Some local transport providers offer reduced fares for senior citizens and beneficiaries.

The interaction between benefits

Where a person qualifies for an income-tested benefit, the value of that benefit is disregarded in the assessment of their Accommodation Supplement (see 17.4), which takes account of 'other income' only. However, their benefit is added to other income when determining eligibility for Family Support and for Community Services Cards. In addition, all income, including benefits, is taken into account in assessing entitlement to special or emergency assistance. Generally the schemes have been designed to minimise overlap.

Administration and the claiming process

Applications for benefits and Superannuation involve completing an application form and usually a face-to-face interview at a Departmental office. In special circumstances, the interview can be conducted elsewhere. Entitlements are renewed annually for Invalids Benefit, Widows Benefit, Domestic Purposes Benefit, Transitional Retirement Benefit and Superannuation. Renewals of Sickness, Training and Unemployment Benefits varies, according to circumstances such as the duration of a training course or the likely length of incapacity (though medical certificates are required at least every 13 weeks). Student Allowances are renewed at least once each year and depend on the length of the course of study. The first instalments of Student Allowance are paid in mid to late April. Thereafter, payments are made either fortnightly or four-weekly, depending on the institution.

All social security benefits are paid fortnightly, except the unemployment-related benefits which are paid weekly. All payments are made by credit transfer to bank accounts.

There are a number of changes in people's circumstances which they have to report whilst on benefit. Changes in income, address, health status (for Invalids and Sickness Benefits), marital status, presence or absence of dependent children, and whether or not they are in school, employment status (for employment-related benefits), change in study or training status (for training and student payments), changes in accommodation costs (for accommodation assistance), and extra costs where special assistance is provided. There is a **visiting** service to check the circumstances of people who cannot come to the office.

Overpayment of benefits is recovered by negotiation between the Department of Social Welfare (DSW) and the beneficiary. In some situations where repayment is unreasonable, the debt can be provisionally written off. Where the overpayment was made to a person who is still on benefit, repayments can be arranged via a deduction from future payments, such as NZ\$5 per week. Where a repayment is reasonable and undertakings to repay *have* not been honoured, recovery can take place by attachment of earnings or from a bank account. Repayment, however, can only be sought from the person who was overpaid, or their estate or executor. Repayment cannot be claimed from an ex-spouse.

There are a number of strategies through which fraud is detected and controlled:

§ Internal controls and audits

- Investigation units, independent of those parts of the DSW which assess and pay benefits, act on information received, and do random checks
- There is extensive electronic matching of data held elsewhere in the Department and within Government, to detect instances of suspected fraud. Data matching, for example, uses Inland Revenue tax records to detect whether an unemployed person is paying tax on earnings not declared to the DSW; matching with Student Allowance and college registers to detect where unemployment beneficiaries are studying, and to detect people claiming benefit and Student Allowance; matching with Customs to detect where people are overseas without notifying DSW to adjust their benefit. All such data matches are subject to the Privacy Act
- Authority exists to direct a beneficiary to answer questions, where there are doubts about entitlement, and to check employers' records
- Authority exists to impose penalties on repayments where there has been abuse, and to prosecute.

People have to show proof of identity when they apply for a benefit and are then allocated a Department of Social Welfare number. A recent proposal for the introduction of a 'smart card' and unique individual number was rejected by Cabinet on the grounds of individual liberties. During a recent benefit fraud amnesty, estimated savings of NZ\$22 million were achieved with over 7,000 benefits cancelled and a further 4,500 reviewed (Department of Social Welfare, 1994).

All decisions by the Department of Social Welfare are open to review and appeal. An applicant must be told why a decision has been made and that they have review and appeal rights. They can ask for the decision to be reviewed by a senior officer if they are not satisfied, or they can seek a formal review by a standing Benefits Review Committee, consisting of senior officials and members appointed from the community. If the review committee decision fails to satisfy the applicant, the decision can be appealed to the Social Security Appeal Authority, a judicial tribunal administered from the Department of Justice. Finally, the decision of the Appeal Authority can be taken to the High Court or Court of Appeal on a point of law. In respect of Student Allowances, application for review of a decision can be made to the Secretary for Education. Decisions of the Secretary can be appealed to the Student Allowances Appeal Authority. However, in this case appeals can only be made where a discretion under the regulations has been exercised.

The operations of the Department of Social Welfare and the Ministry of Education are subject to scrutiny by Parliamentary Select Committees on an annual basis. They are also subject to annual financial audit by the Audit Department. Individuals can *seek* a review by the Minister of Social Welfare, in the case of benefits, and they can also ask the office of the Ombudsman, an independent officer reporting to Parliament, to investigate. However, such requests are usually referred back for the individual to exercise their rights under the review and appeal procedures. All applicants have the right to see their files, and to have questions answered, under the Official Information Act 1982. Where such requests are not satisfied, the Ombudsman can be asked to investigate.

Following the Public Finance Act 1989 and the 1992 reorganisation of the Department of Social Welfare, a system of performance indicators has been developed. The average time between benefit application and decision on entitlement was initially reduced from 13 days to six (Department of Social Welfare, 1994) and is now down to only one day. The average customer waiting time has been reduced to ten minutes.

The role of non-governmental organisations in social assistance

Non-governmental bodies play an important role in providing informal assistance, but they have no formal role in delivery of cash benefits. A large number of voluntary agencies have contracts *with* the State to provide specific services, such as accommodation for disabled people, refugee resettlement programmes, home budgeting advice, information services, sexual abuse and rape crisis services, disability support services, services for families in stress and community development services. These, however, are distinct from social assistance programmes for individuals. In the year to 30 June 1994, NZSI17.37 million is being paid to community organisations for these activities.

The 'poverty lobby' in New Zealand is also playing an increasingly important role, which is discussed further below (17.7).

17.4 Housing assistance

Social assistance benefits are not intended to be sufficient to cover all of a person's needs, and there is a separate Accommodation Supplement for low-income people with higher housing costs. The Supplement was introduced in 1993 to replace a system of subsidised public rental stock and a cash payment for tenants in private rented housing. Public rental stock is being moved to market rent levels.

The Accommodation Supplement is a means-tested and housing cost-related subsidy, available for help with home-ownership, rental or boarding costs. There is a 65 per cent subsidy available to applicants whose housing costs exceed specified limits, up to a maximum level which varies according to household type and location. Specifically, the subsidy is available for costs which, for boarders and renters, exceed 25 per cent of the base benefit rate (which is for these purposes: the adult single rate of the benefit received, if single; the married couple rate plus Family Support for one child, if children present; and the sole parent rate plus Family Support for one child). For boarders, accommodation costs are deemed to be 75 per cent of their board payment. Both interest and capital repayments on a mortgage attract subsidy. For home-owners, the costs must exceed 30 per cent of the base rate (calculated as for renters).

Table 17.4 shows the maximum levels of assistance, by region and family type. Auckland and Wellington have higher maximums because they are high-cost metropolitan regions.

Table 17.4: Maximum levels of assistance, by region and family type, NZ Dollars per week. 1994

| | Auckland | Wellington | Others |
|--|----------|------------|--------|
| Couple with children or lone parent with two children | 100 | 65 | 55 |
| Couple without children, or lone parent with one child | 75 | 60 | 50 |
| Other | 60 | 50 | 42 |

Source: NZ Department of Social Welfare. official questionna

The Supplement is also available to low-income non-beneficiaries (but not students). For beneficiaries, the Accommodation Supplement is reduced by 25 cents per dollar of income per week, up to NZ\$80 per week. At that stage the entitlement remains fixed whilst the applicant remains on benefit. For non-beneficiaries, entitlement reduces at 25 cents per dollar on income in excess of the Invalids Benefit rate until the Supplement runs out.

There are also assets tests similar to the UK tariff income approach, as follows:

- Each NZ\$100 of cash assets beyond NZ\$2,700 held by a single person, or NZ\$5,400 for a couple or lone parent is deemed to produce NZ\$1 of weekly income
- No Supplement is payable where there are cash assets exceeding NZ\$16,200 for a couple or lone parent, or NZ\$8,100 for a single person.

17.5 Trends in expenditure on social assistance

Social assistance is funded from general taxation. Table 17.5 shows that in 1993 New Zealand spent just under NZ\$10.1 billion on social assistance, or 12.9 per cent of GDP.

Table 17.5: Government spending on social assistance, 1980-1993, in NZ Dollars (annual prices) and as a proportion of GDP

| Year :: | per cent of GDP | NZ\$ cost hi millions |
|---------|-----------------|-----------------------|
| 1980 | 10.1 | 1.9902 |
| 1981 | 10.5 | 2.407.0 |
| 1982 | 10.2 | 2.844.7 |
| 1983 | 11.3 | 3.535.8 |
| 1984 | 11.3 | 3,843.4 |
| 1985 | 10.8 | 4,203.6 |
| 1986 | 11.5 | 5,157.0 |
| 1987 | 11.0 | 5,913.0 |
| 1988 | 11.6 | 6,869.1 |
| 1989 | 12.3 | 7,891.9 |
| 1990 | | 9,140.1 |
| 1991 | 13.4 | 9,916.0 |
| 1992 | 13.3 | 10,008.0 |
| 1993 | 12.9 | 10,096.0 |

Year ended 31 March until 1990 and then on 30 June

Source: Department of Social Welfare, 1994

Within the global figures, NZ\$67.9 million were spent in 1993 on "benefit advances", or loans available to certain long-term beneficiaries, and NZ\$62.7 million on Special Needs Grants, which include both loans and non-repayable grants. The cost of administering social assistance in 1993 was NZ\$317.892 million.

17.6 Trends in receipt of social assistance

Table 17.6 shows the numbers of recipients of the main social assistance benefits since 1980. Changes in the structure of benefits make examination of the trends somewhat problematic, but while the numbers of people on Superannuation, Invalids Benefit and Widows Benefit have remained fairly stable, the numbers on Unemployment and Domestic Purposes Benefits grew substantially up to 1991/2.

Table 17.6: Recipients of social assistance benefits, 1980-1993

| As at end of year' | Unemployment ² | Training | Sickness | Invalids | Miners | Domestic purposes | Widows | Orphans & non-supported children | Family | Age' | National Super- | Veterans annuation |
|--------------------|---------------------------|----------|----------|----------|--------|-------------------|--------|----------------------------------|----------------------|------|-----------------|--------------------|
| 1980 | 20,850 | | 7,504 | 15,647 | 21 | 37,040 | 16,120 | 413 | 460,897 | | 405,834 | |
| 1981 | 35,666 | | 7,104 | 16,961 | 16 | 39,412 | 15,416 | 388 | 461,211 | | 418,901 | |
| 1982 | 32,596 | | 7,177 | 17,891 | 16 | 43,447 | 14,737 | 365 | 459,994 | | 430,175 | |
| 1983 | 50,744 | | 7,669 | 18,757 | 16 | 48,121 | 14,125 | 362 | 460,798' | | 441,789 | |
| 1984 | 50,136 | | 9,452 | 20,187 | 13 | 53,144 | 13,921 | 384 | 460,382' | | 451,128 | |
| 1985 | 38,419 | | 9,627 | 21,464 | 11 | 56,548 | 13,557 | 365 | 455,961 ⁴ | | 459,813 | |
| 1986 | 42,405 | | 9,517 | 21,993 | 10 | 62,570 | 13,304 | 364 | 455,330' | | 465,079 | |
| 1987 | 63,922 | | 11,116 | 23,087 | 10 | 69,146 | 13,019 | 496 | 450,072' | | 473,401 | |
| 1988 | 86,782 | | 13,132 | 24,379 | 9 | 74,862 | 12,862 | 1,537 | 436,066' | | 479,985 | |
| 1989 | 123,565 | | 16,021 | 26,260 | 7 | 85,615 | 13,026 | 2,993 | 437,287 ¹ | | 485,962 | |
| 1990 | 139,625 | 9,453 | 19,51E | 27,824 | 6 | 94,823 | 12,676 | 5,239 | 446,373' | | 495,500 | 3,428 |
| 1991 | 153,259 | 7,483 | 20,147 | 30,746 | 3 | 97,000 | 10,989 | ² 931 | | | 506,047 | 3,130 |
| 1992 | 170,367 | 7,857 | 24,093 | 31,831 | 1 | 97,722 | 9,873 | 3,135 | | | 504,561 | 5,393 |
| 1993 | 170,339 | 10,897 | 28,729 | 34,957 | | 96,335 | 10,259 | 3,539 | | | 488,893 | 6,117 |

Prior to 1990, the year ended 31 March: from 1990 onwards, the year ended 30 June

From 1 December 1990 the unemployment benefit has included job search allowance and the independent youth benefit

Problems with data and programmes used to extract the statistics relating to Family Benefit has meant that these statistics are of uncertain accuracy

^d Family Benefit was abolished from 1 April 1991. No figures are available for Family Support (tax system)

Source: Department of Social Welfare, 1994

This is partly because of expansion of the benefits" functions and availability, but it also reflects increasing unemployment and the growth of lone parenthood.

The 1993 figures for Unemployment Benefits include 170,339 receiving the Adult Benefit, of whom 55 per cent were under 30 years, 8,707 receiving the 55 + Benefit, 4,265 young people on the Independent Youth Benefit and 184 recipients of Job Search Allowance. Eighty-four per cent of recipients of Training Benefit were under 30, as were 35 per cent of Sickness and 23 per cent of Invalid beneficiaries.

There were 143,772 families with children receiving income support as at 30 June 1993, with a total of 258,190 dependent children. The New Zealand Statistical Office estimates that 14 per cent of the total population aged 18 or over were beneficiaries in June 1993 and a further 20 per cent received Superannuation (Department of Social Welfare. 1994).

Take-up

The latest estimates produced by the Department of Social Welfare for take-up of social assistance benefits by the main client groups are as follows:

- As at 30 June 1993, the qualifying age for National Superannuation was 61 years. Statistics New Zealand estimate there were 510,870 people aged 61 years or over at this date, and approximately 96 per cent were receiving National Superannuation. The entitlement age for Superannuation is now 62.
- At the 1991 Census, 163,770 people were unemployed and actively seeking employment. Of these approximately 89 per cent were receiving an Unemployment Benefit.

§ At the 1991 Census, there were 110,055 sole parent families, 89 per cent of whom were receiving Domestic Purposes Benefit.

These estimates are of coverage, however, and do not take into account eligibility in terms of incomes.

Take-up of social security does not appear to be a major issue of concern for policy makers in New Zealand and there has been relatively little research undertaken into it. Fourbister (1990) estimated a 70 per cent take-up, using data matching of Inland Revenue files with those of Department of Social Welfare (then the agency responsible for paying Family Support). Take-up rate was close to 100 per cent for beneficiaries and about 50-60 per cent for those in the workforce. Fourbister also carried out a follow-up study of some of those eligible for, but not receiving Family Support, and found that many did not apply because the amount of benefit they expected was small; that they did not want detailed investigations of their financial situation (many were not declaring all of their income to Inland Revenue); or that they were frightened that an increase in income during the year would leave them having to *repay* Inland Revenue for some or all of Family Support.

Most categorical benefits have high take-up rates. IV More people tend to apply for than receive the benefit, but this is generally a product of ineligibility due to the income of the spouse. Take-up rates of Special Benefits have also increased significantly since the 1991 benefit cuts. Numbers receiving the Disability Allowance rose from 49,000 to 77,000, with similar trends for the Special Needs Grant (Preston. 1993; Department of Social Welfare, 1993).

Rockford (1993) examined estimates of take-up by lone parents by comparing Census data with Departmental records. The number of lone parents increased from 46,000 in 1976 to 110,000 in 1991, with an increase in take-up on Census figures from 37 per cent to 68 per cent, and on departmental figures from 60 per cent to 88 per cent, *over* this period. Since the 1991 Census and the reductions in benefits, the number of applicants *for the* Domestic Purposes Benefit has not

decreased, but the rate at which people go off the benefit has increased, keeping total numbers constant.

17.7 Policy issues

Poverty

Two recent lead newspaper headlines in New Zealand were 'Budget Help for Poor Signalled', and 'Choice Between Rent and Eating, says Report' (Dominion. 16/5/94). The former was possibly the first official recognition by the Government that there was a genuine problem of poverty in New Zealand, though critics suggested that this was mainly indicative of the Government's vulnerable electoral position. The report stated:

we are sensitive to those in the community that are under pressure. ... Most of our approach is more of a hand-up approach than a hand-out approach to help people get back on to their two feet, and that is really what the targeting is designed to do.

The latter headline comes from two reports analysing the impact of a move to market rentals for state house tenants, coupled with a targeted housing supplement. One survey was from the Labour Opposition, the other from the Council of Christian Social Services. with both commentin^g on the severity of poverty after housing costs. This is the first time that Labour has stepped into the poverty debate. while the third party (Alliance) raised the issue of poverty in the 1993 election. In other words, poverty has started to become a political issue in New Zealand, largely a response to an increasingly active poverty lobby.

The depth, causes and even the existence of poverty are still controversial. Those on the right, and including most of the Government. tend to attribute poverty to poor budgeting, lack of personal skills and motivation. Those on the left blame successive governments for their policies which have increased unemployment. reduced social security benefits and introduced tertiary education fees. hospital user charges and market rentals for state housing. Poverty is thus only an aspect of a wider political controversy concerning the level and targeting of government expenditure and policies.

The New Zealand poverty lobby is predominantly church-based. For a while, the church groups seemed to be the most effective opposition to the social changes; whilst they may not have directly influenced policy outcomes_ they have *drawn* attention to the impacts of policy change and may have been successful in modifying the degree of change.

There is an uneasy two-way relationship between the church groups and government agencies. including politicians. Various parishes have set up food banks. Prior to the 1991 benefit cuts, these were small, irregular affairs, where a few beneficiaries could obtain food in cases of real need. Since 1991 there has been a phenomenal growth in the number and usage of these agencies (Whale. 1993; *SignPost*. 1993). Food banks obtain their goods from donations within the parish as well as from businesses and donations into bins at supermarkets. Church leaders have drawn on the information acquired from these facilities, and made regular pronouncements, both from the pulpit and to the media, about the hardship faced by beneficiaries, especially those facing state rent increases.

At the same time, media reports have suggested that desk officers in regional offices of the Department of Social Welfare have been recommending food banks to clients as their best source of benefit supplementation and budgetary advice, rather than the special grants which are available. The response from the church groups has been that the Government is attempting to pass the burden of lookin^g after beneficiaries back on to the community, resulting in a form of privatisation of welfare services. Since the Special Needs Grant programme was liberalised in December 1994. the usage of food banks appears to have dropped.

Through the New Zealand Council for Christian Social Services (NZCCSS), the church groups have developed more of an academic response to the various social changes in society through a regular magazine (*Signpost*). They also provide discussion and research papers on policy issues, the most recent relating to the impact of housing policy changes (Roberts, 1994).

Public debate

There has been public criticism of the level of social security benefits, the sharpness of the withdrawal rate of benefits for earned income, and more recently of the charging of market rents for state housing rather than income-related rents. In addition, there has been considerable media attention given to issues such as asset testing of the elderly when they enter retirement homes and plans to charge university students up to 50 per cent of fees. Reports on topics such as the use of redundancy pay as income (which then becomes subject to income testing for Unemployment Benefit) have meant that social security has rarely been out of the news.

A survey by Gold and Webster (1990) found that 75 per cent of respondents believed that poverty could be overcome through a growing economy and greater self-help, with welfare expenditure, informal help and charity unlikely to solve the problem. Unemployment was the major social concern, with poverty ranked only tenth. Since the benefit cuts, survey polls have found greater concerns about poverty and social assistance payments (Heylen, 1993).

Income testing *per se* is not controversial in New Zealand, though the effective marginal tax rates deriving from benefit tapers of 30 and 70 per cent, combined with a 28 per cent personal tax rate, are. Special Benefits and the Accommodation Supplement are both means-tested, and anecdotal evidence suggests that this reduces take-up considerably. The income tax surcharge on older people's extra income, when combined with a universal pension, has been a bone of contention since first introduced in 1984. The National Party promised to repeal the surcharge in 1990, but on being elected to government it tightened the surcharge significantly, resulting in much resentment among the elderly (St John, 1992).

Stigma

Social assistance is based on a categorical approach, with little role for the deserving/undeserving distinction. Although Unemployment Benefit is set at a lower level than other benefits, this is due to both labour market incentive effects and a belief that most unemployed people only need short-term relief, compared to other longer-term beneficiaries. There appears to be some stigma attached to receipt of Special Benefits, which have to be separately applied for and have a more rigorous means test. However, this has not been systematically researched.

The level of benefits

Until the benefit reductions of April 1991, it was generally considered that basic benefit levels were adequate, although the rates for children were widely seen as too low especially for second and subsequent children. Although the threshold at which Family Support started to be withdrawn against extra income was increased from NZ\$14,000 to NZ\$17,500, the benefit itself has not increased. To maintain its real value of NZ\$36 when announced in 1985, Family Support needed to be NZ\$58 in 1992 (Stephens, 1993a).

The 1991 changes reduced social security benefits by an average of NZ\$27 per week (around US\$17 or £11), ranging from a 24 per cent cut for single unemployed aged 20-24, to an eight per cent reduction for a couple receiving sickness benefit. There was no change for invalids and age pensioners. The average cut was about 10 per cent and, combined with a failure to index for inflation, resulted in an average loss of benefit of 12-14 per cent (Stephens, 1992). In addition, state housing has moved in four jumps to market rentals, with a gradual switch from a

selective Accommodation Benefit, payable to beneficiaries in non-state rental housing, to an Accommodation Supplement targeted to low-income households, irrespective of housing tenure. With the move to market rentals generally preceding the shift to the Accommodation Supplement, and being larger in magnitude, some of the effects listed below may be a result of the housing changes rather than benefit cuts.

Evidence of benefit inadequacy, or hardship for those on low incomes and renting, includes the following:

- The substantial number of reports and surveys put out by welfare agencies, Christian groups and political activists concerning the change in standard of living of beneficiaries and Housing New Zealand tenants following the benefit cuts (People's Select Committee, 1992; Solomon, 1991; Cody and Robinson, 1992; Waldegrave and Frater, 1991; New Zealand Council of Christian Social Services, 1993; Roberts, 1994; Waldegrave and Sawrey, 1994): Most of these are small, local studies, not always academically rigorous, but giving a strong and emotive feeling of hardship.
- The growth of food banks: Whale (1993) argued that the growth of food banks was a logical consequence of shifting responsibility from the state to the community and individual. Turner *et al.* (1992) reported that in a sample of families in South Auckland, 53 per cent reported insufficient food and 72 per cent reported missing meals due to a lack of food or money. Only 15 per cent of those surveyed had used a food bank. As mentioned above, since December 1994 the use of food banks appears to have declined.
- ▲ Increasing degrees of homelessness and inadequate housing. Waldegrave and Sawrey (1994), using a consistent method to estimate a hidden population, found a doubling of numbers inadequately housed over a 17-month period in 1992/3. Waldegrave (and others) indicate that many people are coping by doubling up on their accommodation, or shifting to rural areas (often Maori tribal areas), where accommodation is cheap but often of a low standard.

New Zealand has two minimum income standards. First, there is a minimum wage for adult workers and, from 1994, a minimum wage for young people under 20. Both of these are at levels equivalent to the single unemployment benefit, a considerable change from the 1908 wage judgement which set a minimum wage as being sufficient for a man and dependent wife and three children to live adequately. Secondly, there is the Guaranteed Minimum Family Income (GMFI) for those in the full-time workforce, with this being defined as 30 hours work per week for a couple with dependent children, and 20 hours *per* week for a sole parent. The level of GMFI, including family support, has been slightly higher than the equivalent Unemployment Benefit, though when introduced it was designed to provide a significant margin between benefits and work as an incentive to enter the labour market. Inflation ensured that this margin never developed. The GMFI was also introduced as a means of providing a government-subsidised wage, and when restrictions on government expenditure came into effect, GMFI was given little attention as a policy instrument. Less than 2,000 households currently receive the GMFI.

New Zealand does not have an official poverty measure, though Statistics New Zealand have considered taking over and regularly publishing data based on a methodology adopted by Stephens *et al.* (1992). Stephens *et al.* recommended that the poverty measure should be based on median equivalent household expenditure and disposable income, with the actual level to be chosen by focus groups deciding what income/expenditure level is required to provide for 'adequate survival with minimum participation'. The poverty level came to be 60 per cent of the median, with a lower estimate of 50 per cent also being provided, along with poverty gap estimates. The incidence of poverty is to be shown for a variety of household and

housing tenure types, along with estimates before and after housing costs, for the period 1984 to 1993. What status the information will have, and Statistics New Zealand's desire to continue updating the data. will depend upon political reaction to the release of the information in the course of 1994.

Exclusion

Few people are excluded from the New Zealand social security system, even migrants, although there is technically a residency requirement for receipt of benefit. In general, this is either overcome by reciprocal agreements with other countries or through the migration points system which requires that entrants demonstrate either financial security or employment. Refugees are given automatic benefit entitlement.

Few people have to sleep on the streets in New Zealand and even where they do, they normally have access to a residential address, or can stay in a night shelter for long enough to obtain a benefit.

One problem arose following changes to the rules of entitlement in 1991, when those 'voluntarily' unemployed, or who refused two job interviews or offers. had a 26-week 'stand-down' from the benefit. Initially, there were many publicised cases concerning this rule. but the policy is now operated more leniently and dependents are now eligible for benefits on a basis similar to receipt of the Domestic Purposes Benefit.

Publicity and knowledge about benefits

For New Zealand, there are three levels at which this issue can be discussed. First, access to the categorical benefit system is reasonably well understood, with most people aware of their benefit eligibility. Often the major difficulty in applying for benefits relates to rural areas and distance from an Income Support Services office. There is less understanding of the operation of the income test for couples. whereby the income of either partner is used as the basis for actual benefit entitlement (Levine *et al.*. 1993).

Secondly, and this relates to low-income working families, there appears to be a low level of knowledge of eligibility for the targeted Family Support payment, and very little publicity about it. Whilst people can claim Family Support at the end of the year as a tax credit, families are not specifically directed to it in the completion of their annual tax return. Research suggests that employers sometimes refuse to hire workers who want to claim the tax credit on a weekly basis because of the compliance costs involved (Sandford and Hasseldine. 1992).

Thirdly, there is the knowledge about Special Benefits, which have to be claimed separately and are only available with a further means test. Welfare agencies have argued that Income Support Services do not provide adequate information about these benefits.

Rights and discretion

The degree of discretion for local Income Support Services staff is generally fairly small. Following the benefit reductions in 1991, it was claimed that many local officials took the opportunity to switch beneficiaries from lower to higher paying benefits. but when the cumulative impact of that was noted by head office (and politicians) this discretion was revoked. However, many beneficiaries were lawfully entitled to claim alternative benefits under the old rules, and the upward trend in receipt of Sickness and Invalid Benefits has continued, despite falling unemployment. Discretion for enforcement of work-tests is based on local employment conditions. Local officials also have a degree of discretion in awarding Special Benefit. though the guidelines are fairly clear.

The unemployment trap was put forward as one of the major reasons for the 1991 benefit cuts. The Treasury (1990b) argued that benefits were high relative to wages in the types of occupations in which beneficiaries could expect to find work and that high replacement rates provided a work disincentive. This argument contradicted previous studies, undertaken prior to the significant increase in unemployment in 1986 (reported in Brosnan et al., 1988). that by overseas standards, the fiat-rate benefit provided a relatively low replacement rate, with movements in the benefit level having little impact on the unemployment rate. Moreover, while the unlimited nature of benefit duration meant that people had stayed on the benefit longer, this was actually a positive effect the resulting job search led to better jobs with lower employment turnover.

Treasury officials undertook a more detailed study of both replacement rates and effective marginal tax rates for beneficiaries and low income workers. Compton and Euller (1992) calculated the distribution of effective marginal tax rates, showing that most beneficiaries kept out of the very high marginal tax rate areas. They found that 10 per cent of families (mainly lone parents) had rates over 50 per cent and 30 per cent (families with children) had rates of 41-50 per cent. Rebstock and Smith (1992) found entry and exit replacement rates for beneficiaries in excess of 75 per cent, though lower for single people and higher for lone parents. Chiao and Walker (1992) then calculated an overall wage elasticity of 0.38, with women (0.64) being more responsive than men (0.22), and little difference between beneficiaries (0.41) and non-beneficiaries (0.38). The male elasticities were high and contained all the problems associated with a single summary statistic for a range of different personal circumstances, income levels and effective marginal tax rates. They then simulated the effects of the personal income tax changes in 1988, giving a relatively small labour supply response, for the size of the elasticities, of 1.2 per cent for non-beneficiaries and 0.64 per cent for beneficiaries. From the average ten per cent benefit cuts, they estimated that labour supply would increase by some 2.2 per cent. However. Maloney (1993) has argued that there were significant limitations in their model_ mainly due to data problems.

Levine *et al.* (1993) indicated that half of lone parents had limited knowledge of the benefit income test, though they were aware of the NZ\$60 disregard threshold. However, about one-third of beneficiaries limited their work effort to the free area because of awareness of the effective marginal tax rates above this level. including fears of having to repay Family Support. Thirty per cent of lone parents had found full-time employment through their part-time job.

Since the benefit reductions, the debate has switched away from the question of replacement rates to the more direct problem of the availability of employment.

17.8 Recent and forthcoming changes.

Over the last decade, New Zealand has had a series of reforms of its social security benefits system, most of which have already been mentioned, although the basic structure of the system has remained intact. To summarise. the major policy changes over the last decade have been:

- *The introduction of Family Support and Guaranteed Minimum Family Income (GM.FT) in 1986:* Calculations made at the time indicated that Family Support would not reduce the incidence of poverty-, but would reduce the poverty gap quite substantially. However. until 1993 payment levels for Family Support had not increased, and the decline in its real value had meant that again low-income large families were receiving very little state financial assistance. In 1993, payment to second and subsequent children aged 13 plus was raised from NZ\$22 to \$35 per week, and that for second and subsequent children below the age of 13 was increased by NZ\$2 per week to \$24. It has since been further raised to \$27 per week.

As was stated above, the incentive effect of GMFI *never* developed and it has a low take-up. It also has a 100 per cent marginal tax rate, providing a positive disincentive for further work effort. In an unsuccessful flat tax proposal of 1987/188, an enhanced GMFI was proposed (with Family Support to be abolished), based on the previous year's earnings.

- *In 1986, all social security benefits were made taxable:* Benefits were grossed up by the amount of the tax and the net benefit remaining constant. This increased horizontal equity between those in the full-time work force and those on benefits for part of the year. Tax revenue and benefit expenditure both increased by 1.5 per cent of GDP as a result, with no impact on resource flows.
- *From 1986, Family Support tax credits were shared equally between both partners, if applicable:* In 1989 this principle was extended to all benefit payments, and the total benefit payment, including Family Support, became shared between the partners. Research was subsequently undertaken on intra-family income distribution and the use of Family Support. As a result, the rules have since been changed and Family Support is now paid to the caring spouse only.
- * *In 1990 the Labour Government legislated 'for a Universal Benefit: This was to replace the categorical system, except for old-age pensions, but with the change of government it was never introduced.* Entry into the system was to be based upon an income test, rather than falling into a category, with the second step being a work test. Not all were to face the work test: various categories of beneficiaries were to be exempt, though only lone parents with a child under seven (for part-time) and 13 (for full-time) were to be exempt.
- *Age pensions have continued to be controversial politically:* In 1985, Labour imposed an income tax surcharge of 20 per cent on superannuation recipients' additional income after an exemption of NZ\$7,200 for a single person and NZ\$ 12,000 for a couple. In 1989, the link between the couple pension and 80 per cent of net average wages was broken. First it was adjusted by the lower of price or wage movements, and then, from 1990, it was frozen for three years. The rate is currently about 70 per cent of net average wages. Labour had planned gradually to raise the age for receipt of the pension from 60 to 65 over a 20-year period, but the National Party altered this to a 10-year period. As a consequence, a Transitional Retirement Benefit was introduced from 1 April 1994 in recognition of the difficulty those aged over 60 (and over 55 with a 55-Plus benefit) face in obtaining employment. The level at which the tax surcharge comes into operation was lowered to NZ\$4,160 for single people and NZ\$6,420 for couples, with a higher surcharge rate of 25 per cent. These policy changes have led to fiscal savings, which was the main objective, given the prospect of an ageing population from 2010. Through the use of a taskforce with representatives from the major political parties (Todd, 1992), Superannuation seems to have been taken off the political agenda for the time being and the renamed New Zealand Superannuation is considered sustainable into the 21st century.
- *The April 1991 reduction in social security benefit levels, combined with the explicit development of different levels for different categories of beneficiary:* The universal family benefit was eliminated, though the targeted Family Support payment was raised by NZ\$6 per week (the amount of family benefit). In addition, a cost of living adjustment of 3.5 per cent was foregone (Stephens, 1992). There are now effectively four levels of benefit. This is argued for on grounds of different work force expectations and there are plans to introduce a new structure based either on the unemployed, the sick and disabled and lone parents, or the 'work ready' and the 'work exempt'. The Department of Social Welfare (1990) has argued that needs of short-term beneficiaries are less than those in long-

term receipt, as the former are able to defer expenditures and delay asset replacement, but the *Treasury* (1990b) contended that all beneficiaries have the same need - an argument for reducing all payments to the level of Unemployment Benefit (for an extended discussion of this debate, see Stephens. 1992).

- .4 *tightening of the eligibility criteria for all social security benefits*: This was combined with a widening of the definition of what constitutes income for the purposes of social security.
- *A movement towards targeting of all social services, especially from 1991*: An alternative way of looking at this is that policy has made the better-off contribute to their health care and education. which were previously free. Charges have been introduced for those not on any benefit for hospitals. doctors visits, and prescriptions; long-term hospital and residential care fees have been introduced, as well as tertiary education fees, averaging in 1993 NZS 1,800 per student (with a proposal to raise them to 50 per cent of course costs - Todd, 1994). Child-care subsidies have been cut. There are plans to introduce a global rebate scheme covering all of these targeted services.
- *The introduction of Accommodation Supplement from 1993*: This replaced income-related rents in the public sector and flat-rate accommodation benefit for people in the private housing sector.

17.9 Overall performance

Many of the points made in respect of the Australian social security system apply also to social security in New Zealand. The main strengths of the New Zealand system are as follows:

- Benefit levels for some groups remain relatively generous. Overall, before housing costs, social assistance benefit levels are four per cent above the OECD average value, even though national income per head is 11 per cent below the average. For single pensioners New Zealand benefits rank as the seventh highest in the OECD and for couples they are the ninth highest, although only five OECD countries have lower levels of national income.
- The system has comprehensive coverage, a high degree of national uniformity of payments and extensive review and appeal procedures.
- Reports from the Department of Social Welfare suggest that the administration system is efficient in terms of the time taken to make decisions and deal with clients.

The limitations of the New Zealand system reflect the economic environment and the reactions of recent governments to major underlying economic problems.

- While the New Zealand economy is currently growing rapidly, this is a recovery from a poor performance in the 1980s and for many years before that. Relative to the average for all OECD countries, New Zealand has fallen from being a rich country 40 years ago to being much lower in the current OECD ranking. While this fundamental problem has a variety of causes, it is difficult to see how the country could maintain and extend its extremely generous welfare provision, as they did up until the 1980s. It can be noted that until the introduction of the Superannuation surcharge, this benefit was available on a universal basis from the age of 60 years. In 1991, after falling in value by about 10 per cent *in real terms* over the previous decade, the value of this payment for a single pensioner was still about 20 per cent higher than the level of Income Support in the United Kingdom, which has a higher relative per capita income. Relatively speaking, it appears that this form of retirement coverage was among the most generous in the OECD.

- The generosity of the New Zealand system has been substantially cut back since 1984, but there would appear to be an imbalance in the forms of social protection offered. The retirement incomes system remains relatively generous, but Child Benefit was allowed to wither away with inflation before being completely abolished.
- The system still faces significant challenges from *the* historically high level of unemployment and the relatively high proportion of lone parent families receiving benefits -- as a proportion of the total population of labour force age the number of lone parents on benefits in New Zealand is 50 per cent greater than in the United Kingdom.
- While the National Superannuation system has become more targeted, the current Government has reduced expenditure by cuts in nominal benefit levels. This could be expected to exacerbate problems of relative disadvantage and have a negative impact on the poorest in society.

Chapter 18 Norway

18.1 Background

Demography

Norway is one of the smaller European countries, with a total population in January 1994 of 4.33 million (Eurostat, 1994a). It had an estimated fertility rate in 1993 of 1.82 - somewhat above both the EU and EEA averages. and the projected population for the year 2020 suggests an eight per cent increase, to 4.7 million. In 1991, 19 per cent of the population was under 15 years of age: 65 per cent were between 15 and 64 years and the remaining 16 per cent were aged 65 and above (Eurostat, 1993). As in the other Scandinavian and many other EU countries, the proportion of the population aged 65 and above is set to increase until 2039, whilst the proportion of young people will fall (Nososco, 1993).

As in the other Nordic countries, a high percentage of births are outside marriage in 1993 this was 44 per cent. or more than twice the average rate for other countries in the European Economic Area. Lone parents head around 19 per cent of all families with children (Bradshaw *et al.*, 1993).

Employment and the economy

In 1991, 71 per cent of civilian employment in Norway was in the service sector; 24 per cent in industry and a further six per cent in the agricultural sector (Eurostat, 1993). Unemployment has risen steadily since 1987, when it stood at 2.1 per cent. By 1993, this figure had increased to 6.0. but was still lower than the average for OECD countries (OECD, 1994a). Youth unemployment has been a particular problem, running at a rate, in 1992, of twice the overall average. On the other hand, the long-term unemployment rate of 23.5 per cent in 1992 was lower than that of most of the European Union countries (though higher than the other Scandinavian countries which were then outside the EL¹). The overall estimated labour force participation rate in 1992 stood at 77.1 per cent - the highest in the OECD - and the rate for women, at 70.9, was the second highest after Sweden (OECD, 1993c).

OECD estimates put total expenditure on social protection (including health) at 28.7 per cent of GDP in 1990 - well above the average for OECD members both in and outside the EU (OECD, 1994d). Excluding health spending the figure was 21.64 per cent of GDP. Estimates *from* the group of Nordic countries are even higher, putting Norway's expenditure on social security as 29 per cent of GDP in 1991, a steady increase from 22 per cent in 1978 (Nososco, 1993).

The political framework

The current government of Norway is a left-coalition led by the Labour Party, and the main opposition comes from the Conservatives and Christian Democrats. At the end of 1994 Norway was the only country amongst the new candidates for membership of the European Union in which a popular referendum rejected the proposal to join.

18.2 The social security system

Introduction

The Norwegian social security system is characterised by a high degree of universalism: every person living in Norway, regardless of nationality, is entitled to

social security whether or not they are economically active and irrespective of whether they have paid insurance contributions. As a result means testing is very limited. The only benefits that are subject to a full means test are social assistance, family supplements for pensions, housing benefits and some consumer charges. However, the compensatory benefits that are payable to people aged 18 -70 for loss of income are also tested against their earnings from work. The Norwegian welfare state can be grouped together with the other Nordic countries in the Scandinavian or 'social democratic' model (Esping-Andersen, 1990).

A strong 'work subsidiarity principle' operates in Norway, such that income maintenance benefits should not be granted if suitable employment exists. A high level of employment has thus always been regarded as a precondition for the functioning of social security in Norway.

There is, however, a low degree of 'family subsidiarity' in the Norwegian social security system and most benefits are granted on an individual basis irrespective of family situation. The principle of gender equality has also been pursued by the legislature and as such it is only in benefits which relate to the birth of children that legal rights of men and women differ. The contrast between social security and social assistance is greater in Norway than in many other countries. Social security is rights-based and both financed and administered by central government. Social assistance is discretionary, without national norms, and is financed and administered by municipalities. Social security benefits cover the majority of 'risk' circumstances, including old age and sickness. Consequently social assistance plays only a minimal role.

The Ministry of Social Affairs has overall responsibility for social policy in Norway. The Ministry of Child and Family Affairs co-ordinates family-related policies. The main insurance benefits covering old age and sickness are regulated by the National Insurance Act and are largely administered by the National Insurance Administration, through local and regional social security offices. Unemployment benefits, including private provision through employer schemes, are administered by the National Board of Labour through local and regional labour offices. The county authorities are responsible for hospitals, whilst municipalities are responsible for non-institutionalised health and social services, including social assistance.

Social security expenditure as a whole is financed partly by taxation, through central and local government, and partly through insurance contributions. In 1990, the proportionate distribution of finance for social security was as follows: central government (20 per cent), local municipalities (35 per cent), employer's contributions (28 per cent) and insured person's contributions (16 per cent) (Nososco, 1993).

Structure of benefits

There are basically two layers of benefits in Norway:

1. Non-contributor benefits under the social insurance scheme

All citizens who have been resident in Norway for more than three years are covered by the National Insurance Scheme (National Insurance Act 17 June 1966), with regard to old age and disability pensions.

Lone parents (divorced, separated or unmarried) with children under ten years of age and not living with another person (such as a parent or partner who cannot be excluded as the father) are entitled to claim Transitional Allowance (TA) - an income-tested benefit which provides a guaranteed minimum income that is almost equal to the minimum national insurance pension. Any benefits and earnings, above a low disregard, are tapered to a set ceiling above which no Transitional Allowance is payable. Lone parents may also be given financial support as part of TA to cover child-care expenses when working or studying and additional expenses

related to studying. In 1989, seven out of ten lone parents were in receipt of Transitional Allowance and only one in ten of these was in part-time employment.

Unemployment Benefit and cash benefits for sickness and maternity are available, based on previous earnings.

Other non-contributory benefits include funeral grants and family allowances.

1. Income-related or means-tested benefits

Disabled people and old age pensioners with small pensions who have relatively high expenses for housing are entitled to an extra income-tested benefit. A subsidized national credit institution also exists to finance the living and studying expenses of students, although interest on loans is not paid during the study period.

Finally, for adults who cannot provide for themselves through work, by claiming one of the insurance benefits, or by claiming maintenance, there is Social Economic Assistance (SEA). What follows is mainly concerned with this benefit.

18.3 Social assistance

Legislation and policy objectives

The right to Social Economic Assistance is enshrined in the Social Services Act of 13 December 1991, although the amount of assistance is not fixed at a national level. The assistance scheme exists as a safety net for the wider social security system and is strongly subsidiary to it. The purpose is to ensure that individuals in need have adequate resources and to help them to become self-supporting.

Administrative and regulatory framework

Assistance is administered at a local, municipal level. The decision on the amount to pay is based on a judgement of the individual's needs, the local costs of living and, to some extent, the municipality's general economic situation. The Ministry of Health and Social Affairs provides some (very) general guidelines on the kind of expenses that should be covered for adults and their dependent children, but decisions remain at the discretion of the municipalities.

General conditions of entitlement

The basic condition of entitlement is that individuals must be without sufficient means to cover the needs of themselves and anyone else for whom they are legally responsible. Unless exempted, applicants must be prepared to take any available work.

The minimum age at which an independent claim can be made is normally 18. Students are not normally eligible for social economic assistance. Although they are supposed to receive support through loans from the national students' credit institution, if they cannot finance their studies with the help of their parents they must find work.

Workers who are on strike or who have been laid off are entitled to social assistance, and any benefits received do not have to be paid back.

Residence and nationality

Only people legally resident in Norway can receive Social Economic Assistance. People with temporary residence permits are not eligible, but immigrants and other people who have temporary residence permits and who are awaiting a decision on their application for permanent residence in Norway are allowed to claim. Refugees and others applying for asylum in Norway are normally provided for through a special scheme and are therefore not normally eligible to claim assistance.

Norway has a reciprocal agreement with the other Nordic countries in relation to social assistance. There are also a number of other social security agreements with other countries which mainly involve national insurance benefits.

There are no rules relating to social assistance entitlement by citizens of the wider European Economic Area, and assistance is not portable to other countries.

Duration of benefit entitlement

Assistance is available without time limit for as long as the need lasts and other conditions are met.

Availability for work and labour market policy

Assistance claimants normally have to take work if it is available. They must register every two weeks at the local employment office, which is part of a national agency, and if offered work they will usually have to take it. Assistance may be reduced to an absolute minimum if a client refuses to work. There is no limit on the number of hours a claimant may work and still receive benefit, as long as they are still available for other full-time work.

People exempt from the work-seeking requirements are lone parents living on Transitional Allowance (with children under 10 years of age), pensioners over the age of 67 and all disabled people.

Social Economic Assistance may be conditional on other labour market activity. For example, young people with little or no work experience may have to take on specific 'extraordinary' work within the municipality (that is, work outside of the normal employment conditions and wage agreements) in order to receive benefit. However, these schemes are not part of the law and are entered into on a voluntary basis between individuals and municipalities. Work-oriented training and special work schemes are offered according to national criteria, although participation is not compulsory. As paid schemes, they are, however, considered by most people to be a better alternative than living on assistance.

Rehabilitation allowances are available from the social insurance scheme for those people with a permanently reduced capacity to work or a restricted choice of work opportunities. These allowances aim to assist claimants, both economically and practically, to find work or to improve their ability to manage daily life situations.

A common theme in recent research findings is that the effect of different programmes which aim to encourage recipients to leave social assistance is very limited. In fact, they appear to have no effect on either the most motivated and affluent recipients or those with the least motivation and resources, and only marginal effects are recorded for those recipients in the middle ground. No clear or definitive policy proposals have resulted, except for the recommendation that municipalities should be more careful about the selection of participants.

Self-employed people are able to claim social economic assistance if they are unable to support themselves, although information which they supply about their needs and circumstances may be checked with the relevant authorities. No national guidelines exist, however, on the assessment of their earnings.

The benefit unit

Social Economic Assistance is, in principle, an individual benefit. However, spouses have a legal responsibility to provide for each other if they are able to do so. Married couples and their (dependent) children will thus be considered as a unit, as opposed to unmarried couples who are treated individually, although the authorities may take shared expenses into consideration when calculating benefit allowances.

Either spouse in a married couple can claim assistance and there are no rules as to which partner should claim or to whom the benefit should be paid. Normally, it is the claimant who receives the benefit.

All the children for whom the claimant has a legal parental responsibility are included in the benefit unit. This will normally include natural children and adopted children. No parental responsibility exists in Norway for grandchildren or stepchildren. The economic responsibility for foster children rests with those who have parental responsibility, which may be one or both of the biological parents or the parents who are fostering the child. In cases where both the responsibility for the daily care of the child and the parental responsibility have been taken from the biological parents, no one person will have a parental responsibility for the child. In these circumstances, foster parents should receive support for the children from both the municipality and the county.

Children are treated as dependent until the age of 18, or until they leave secondary education if this is after the age of 18. Adult non-dependants over the age of 18 are treated individually for benefit purposes.

income and assets tests

The unit of assessment is based on families or individuals, depending on marital status, and dependent children within the benefit unit. In general there is little debate about the unit of assessment.

There is no cohabitation rule in Norway until a couple has a child or the woman becomes pregnant with a child, or until they get married. Cohabiting couples are usually treated individually for benefit purposes, although joint expenses and voluntary maintenance payments made by the cohabiting partner may be taken into account and thus reduce benefit.

Lone parents are entitled to a family allowance for one more child than they actually have. Cohabitants who have children together, and who have been living together for at least 12 of the previous 18 months, are not entitled to this extra allowance. Lone parents living with another adult as a cohabiting couple in such circumstances are treated individually for benefit purposes as above. In addition to Transitional Allowance and social assistance, lone parents in Norway are entitled to Educational Benefit and an allowance for child care. Research has demonstrated that the probability of being self-supporting was greater if a lone parent had received Educational Benefit, although this referred only to those lone parents who had been through a comprehensive educational training programme. The combined effects of Transitional Allowance and part-time work increased the probability of lone-parents being self-supporting.

All the assets, income and expenses of the benefit unit are taken into account when calculating Social Economic Assistance. However, a child's assets are not normally taken into account unless the parents have transferred their means/assets to the child in order to qualify for benefit.

Income from a non-resident family member may only be taken into account if the person in question has an economic responsibility through marriage or parental responsibility, for example, because of a divorce. If claimants receive money from other family members or friends on a voluntary basis, and such payments can be documented, they may be taken into account and thus lead to a reduced level of assistance.

Social insurance benefits, such as disability pensions, old age pensions for those aged 67-70 and single parents benefits (Transitional Allowance) are also tested against income from people's own work. Although entitlement to these benefits is insurance-based, there is an earnings rule which reduces the benefit level.

People who are dependent on Social Economic Assistance normally have to pay tax and national insurance. Means-testing is therefore based on net income. Municipal authorities may also claim back social assistance if a claimant receives a tax refund for the same year as the claim to social assistance. Some low earners are, however, exempt from paying tax.

People are not entitled to social assistance if they can support themselves through capital, cash savings, private pension payments or by selling property. Exemption from this rule may be allowed if capital and/or properties are necessary for a reasonable standard of living or housing (that is, if they are not extravagant). The only disregarded assets and income are those which are needed to cover basic needs - all others are taken into account. The upper limit of what should be allowed as reasonable (household) expenses, and thereby disregarded, is set by the authority (with regard to *housing* expenses, for example).

Earnings disregards for lone parents on Transitional Allowance were changed in 1991, in order to increase the financial incentives to enter the labour market, but no empirical evidence is available to confirm that this has been achieved.

As Social Economic Assistance is regarded primarily as a supplementary income, all additional income reduces benefit at a withdrawal rate of 100 per cent.

Benefit levels

Benefit levels for Social Economic Assistance are determined and updated locally at the discretion of the municipality, without direction from the national government. Social workers set the level of assistance and additions for housing costs according to these local scale rates.

Table 18.1 below gives an indication of the average levels of social assistance payable, according to duration of claim. It should not be taken as an indication of *scale rates*, however, as some families will have other income and the assistance will only be a small supplement, whereas for others the assistance may represent their main or only income.

Table 18.1.- Average payments of social assistance (SA) per month, by duration and family group, 1992

| | Single men | Single women | Lone parent fathers | Lone parent mothers | Couples without children (under 18) | Couples with children (under 18) | Unknown family group |
|----------------------------|------------|--------------|---------------------|---------------------|-------------------------------------|----------------------------------|----------------------|
| Average SA per month | 4,380 | 3,695 | 5,029 | 3,795 | 4,715 | 5,972 | 6,864 |
| No. of months receiving SA | | | | | | | |
| 1 | 4,537 | 3,950 | 5,535 | 4,813 | 4,588 | 5,598 | 4,861 |
| 2 | 3,729 | 3,545 | 4,533 | 4,139 | 3,904 | 4,953 | 5,985 |
| 3 | 3,675 | 3,331 | 4,228 | 3,635 | 4,030 | 4,713 | 5,106 |
| 4 | 3,702 | 3,382 | 4,558 | 3,645 | 4,117 | 4,652 | 6,778 |
| 5 | 3,829 | 3,432 | 4,162 | 3,615 | 4,310 | 4,766 | 7,077 |
| 6 | 3,906 | 3,332 | 4,214 | 3,385 | 4,110 | 5,110 | 6,239 |
| 7 | 4,019 | 3,343 | 4,399 | 3,568 | 4,532 | 5,378 | 7,122 |
| 8 | 4,241 | 3,503 | 5,239 | 3,584 | 4,472 | 5,642 | 7,411 |
| 9 | 4,486 | 3,707 | 4,981 | 3,554 | 4,815 | 5,973 | 8,360 |
| 10 | 4,786 | 3,838 | 5,613 | 3,762 | 5,194 | 6,634 | 7,473 |
| 11 | 4,968 | 3,961 | 5,849 | 3,939 | 5,472 | 6,934 | 7,195 |
| 12 | 4,875 | 4,107 | 5,581 | 4,150 | 5,487 | 7,615 | 7,346 |

Note: In 1993 purchasing power parities, US\$ 1 = NK 9.22 and £1 = NK 14.68

Source: Ministry of Social Affairs, 1994

As stated above, there are no nationally fixed rates of Social Economic Assistance (as opposed to social insurance benefits which are set nationally by annual regulations, according to social security law). Local guidelines and scale rates define only minimum standards and it is difficult to say to what degree these

standards are interpreted by social workers as fixed standards. Studies of the decision-making process have indicated that the use of discretion increases with the increasing complexity of the cases.

Discretion is usually exercised on the basis of local scale rates. In addition, an applicant would normally get their housing costs covered if they are not of an unreasonably high level. Discretion also comes into play in the provision of special help to encourage recipients to be self-supporting through paid work. Guidance on these issues is provided partly by the Ministry of Social Affairs and partly by municipalities.

No detailed national statistics exist showing assistance rates, either at a national or a local level. However, if, for example, Social Economic Assistance was the only source of income for a single person, benefit can be estimated to have been around 60,000 Norwegian Krona (NK) per annum in 1992 and 1993 (the equivalent in purchasing power parities of about - SS540 or E340 per month). This amount would probably be higher in the larger cities and lower in sparsely populated areas, and the differences in housing costs would probably explain most of the disparities.

Social Economic Assistance is meant to cover all those costs relating to basic needs. This includes housing costs. Social assistance is not taxable and contributions to the national insurance scheme are only payable on income from work. Private pension contributions are not normally covered by the assistance scheme. However, other reasonable expenses, such as medical costs, are taken into account and included in assistance payments.

One-off and urgent payments

Birth grants are the only specific one-off payments available by right, although claimants can receive additional grants to cover large unexpected needs, such as expensive dental treatments, some medicines and special winter clothing, at the discretion of local municipalities. These long-established grants, and in some cases loans, are covered by a section of the law which makes it clear that assistance may be given in order to overcome or adapt to a 'difficult life situation'. Sometimes social workers will counsel claimants to prevent similar debt or crisis situations occurring again.

These payments are not politically controversial, as one-off needs are seen as a marginal issue. They are also easily concealed within the discretionary decision-making process.

Fringe benefits and other concessions

Social Economic Assistance claimants are not automatically entitled to reduced rates for other goods and services. However, charges for some public services, such as municipal kindergartens and care services, are income-related and thus costs for recipients may be lowered.

Pensioners (not only those receiving minimum pensions) and disabled people receiving social insurance benefits can also receive concessions for certain services, the most important being a 50 per cent reduction on the cost of state-subsidized transport and reduced rates on most other forms of public transport. They may also benefit from reduced rates for certain municipal services, such as swimming pools.

Administration and the claiming process

People can either send an application for social assistance through the post or they can visit the local office to get help with completing the application form. If necessary, people will be asked to prove their identity in order to claim. There is no obligatory home-visiting service.

As Social Economic Assistance is determined individually, the time limit for renewing claims is difficult to gauge. It is not known at the start of the claim just how long the need for economic support will continue or indeed if the circumstances will remain the same. Some claimants may be asked to document their circumstances (even though there may be no change) and send this information to municipalities on a monthly basis, others may only be required to notify the local authority if there is a specific change in circumstance. The procedure to follow is decided by the municipality.

Claimants should report any changes in need or circumstance, including those which may reduce costs or increase income, or which bring about a change in family status.

Methods of payment may vary by municipality and for different kinds of recipients. For some categories of clients (such as pensioners who receive assistance as a supplement) where assistance payments are likely to remain constant for long periods of time, benefit is usually paid directly into a bank account each month. Other shorter-term claimants, such as young unemployed people, have to apply each month and receive payments by cheque. Again, this is up to the local municipalities. In principle, deductions may be made at source from assistance payments for items such as rent arrears or fuel costs.

If benefit is inadvertently overpaid and not repaid voluntarily, regulations allow for legal recovery, the conditions and procedures for which are laid down in general legislation covering the collection of debts. However, this legislation is seldom used in cases involving benefit overpayments. Overpaid benefit may only be recovered from the person claiming and his or her spouse.

Social services and the social security administration have access to information on claimants held by other authorities in order to control fraud. There is, however, no systematic evidence on the extent and nature of fraud amongst people claiming social assistance and it is not a major issue.

There is a separate Act governing, *inter alia*, the right to appeal against any decision made by public authorities regarding, for example, individual rights or benefits. According to this Act, such decisions may in general be appealed to a higher administrative responsible body. The rules according to this Act may, however, be supplemented by, or excepted from, Acts governing specific areas. Claimants are able to appeal against decisions on Social Economic Assistance although they have no right to a review. Applicants can only ask for a new assessment and they can do this either orally or by letter. The appeal is first assessed by a committee of lay people in the municipality: if the committee does not support the appeal, the regional commissioner's office county governor (the state office at a county level) takes the final decision. If there is an element of discretion in the case, it is only the 'unreasonable exercise of discretion' which can be appealed against. There is no research evidence on whether claimants regard the appeal mechanism as fair and effective.

The municipal social services are subject to scrutiny and review by the county governor.

The role of non-governmental organisations in social assistance

Non-governmental organisations play only a marginal role in the delivery and/or financing of social assistance in Norway.

18.4 Housing assistance

Housing costs are included in Social Economic Assistance payments and cover all types of accommodation, both rented and owner-occupied. Both capital and interest payments may be covered on accommodation regarded as of a reasonable

size and standard in relation to the size of the family. Normally, however, capital payments are reduced to a minimum.

183 Trends in expenditure on social assistance

Social Economic Assistance and other social services are funded by local municipalities. National expenditure in 1992 on assistance (both grants and loans) was NK 3.453 million (equivalent to around US\$375 million or L236 million). This represented 0.5 per cent of GDP. Expenditure on National Insurance benefits was NK 113.000 million in 1992 approximately 16.1 per cent of GDP. Table 18.2 shows the trend in expenditure since 1980.

Table 18.2: Expenditure on national insurance and social assistance benefits 1980-1992 at current prices (millions of Norwegian Krona)

| Year | National insurance ^o | Social assistance | Total social security | SA as per cent of total social security |
|------|---------------------------------|-------------------|-----------------------|---|
| 1980 | 2 ² .000 | 272 | 22.22 | 1.0 |
| 1981 | 26.300 | 289 | 26.600 | 1.1 |
| 1982 | 30.700 | 401 | 31.100 | 1.3 |
| 1983 | 35.104 | 616 | 35.720 | 1.7 |
| 1984 | 38,900 | 844 | 39.700 | 2.1 |
| 1985 | 42.5(0) | 1.080 | 43.600 | 2.5 |
| 1986 | 46,900 | 1.400 | 48.300 | 2.9 |
| 1987 | 52.300 | 2.027 | 54.300 | 3.7 |
| 1988 | 59.70(0) | 2.68(0) | 62.400 | 4.3 |
| 1989 | 68.500 | 3.197 | 71.700 | 4.5 |
| 1990 | 75.400 | 3.311 | 78.700 | 4.2 |
| 1991 | 80,947 | 3.479 | 84.400 | 4.1 |
| 1992 | 87.509 | 3.453 | 91.000 | 3.8 |

Income maintenance benefits excluding sickness benefits (cg_ sickness allowance, medical benefits)

Source: Ministry of Social Affairs_ 1994

The table shows that social assistance, though still a very small element of overall social security expenditure, was growing up to 1989, but has since declined slightly.

There are no separate figures available for the administrative costs of providing social economic assistance. The administrative cost of social security generally accounted for 1.5 per cent of social security expenditure in 1990 (Nososco. 1993).

18.6 Trends on receipt of social assistance

Table 18.3 shows the number of families (cases) and individual recipients of assistance from 1980 to 1992.

Table 18.3: Number of cases, recipients and expenditure on social assistance 1980-1992, at 1992 prices

| Year | Cases | Cases per 100 ^o pop. | Recipients [^] | Expenditure NK millions |
|------|---------------------|---------------------------------|-------------------------|-------------------------|
| 1980 | 60.100 | 16 | | 490 |
| 1981 | 65.800 | 17 | | 561 |
| 1982 | 7 ⁷ .100 | 19 | | 699 |
| 1983 | 93.905 | 23 | | 994 |
| 1984 | 100.700 | 24 | | 1.27 ⁷ |
| 1985 | 106.400 | 26 | | 1.548 |
| 1986 | 111.000 | 27 | 103.100 | 1.892 |
| 1987 | 125.400 | 30 | 116.200 | 2.491 |
| 1988 | 144.400 | 34 | 134.100 | 3.088 |
| 1989 | 161.500 | 38 | 150.900 | 3.522 |
| 1990 | 165.400 | 39 | 155.200 | 3.505 |
| 1991 | 172.000 | 40 | 161.400 | 3.560 |
| 1992 | 171.200 | 40 | 161.200 | 3.453 |

Data on the number of SA recipients was not collated until 1986. As some people may claim in more than one municipality during one year, the number of cases is higher than the number of recipients

Source: Ministry of Social Affairs_ 1994

Between 1980 and 1992 the number of recipient families increased by 185 per cent. Table 18.4 provides a breakdown of the claimant population between 1986 and 1992, by family type.

Table 18.4: Social assistance recipients, 1986-1992, by family type

| | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|-------------------------------------|---------|---------|---------|---------|--------------------|----------------------|---------|
| Single men | 31,000 | 33,800 | 40,700 | 48,200 | 52,900 | 57,900 | 58,900 |
| Single women | 23,700 | 26,100 | 31,200 | 34,300 | 36,400 | 39,000 | 37,500 |
| Lone parent fathers | 1,000 | 1,200 | 1,500 | 1,800 | 1,900 | 2,100 | 2,800 |
| Lone parent mothers | 15,000 | 17,100 | 20,300 | 22,500 | ² 3,200 | ^{2,3} 3,300 | 21,400 |
| Couples without children (under 18) | 10,200 | 11,400 | 13,900 | 15,100 | 15,200 | 15,600 | 16,700 |
| Couples with children (under 18) | 10,700 | 12,900 | 17,000 | 19,600 | 19,700 | 19,400 | 19,817 |
| Unknown family group | 11,200 | 13,201 | 9,300 | 9,300 | 5,644 | 4,100 | 4,100 |
| Total | 103,000 | 116,200 | 134,100 | 151,000 | 155,200 | 161,400 | 161,200 |

In 1992, just under a quarter of recipients had children, while nearly 60 per cent of all households were single people.

Table 18.5 shows the main sources of income of the different family groups of recipients and the following two tables give further breakdowns by labour force participation and types of other benefit received. The sources are as for the tables above.

Table 18.5: Recipients of social assistance, by main source of income and family group, 1992

| Source of income | Single men | Single women | Lone parent fathers | Lone parent mothers | Couples without children (under 18) | Couples with children (under 18) | Unknown family group | Total |
|---------------------|------------|--------------|---------------------|---------------------|-------------------------------------|----------------------------------|----------------------|---------|
| Salary | 3,616 | 3,282 | 673 | 2,928 | 2,243 | 5,860 | 234 | 18,836 |
| Employment measures | 1,870 | 932 | 76 | 362 | 469 | 628 | 65 | 4,402 |
| Pension | 18,429 | 16,631 | 1,144 | 14,645 | 6,273 | 6,784 | 633 | 64,539 |
| Scholarship! loan | 2,402 | 1,365 | 56 | 149 | 433 | 320 | 103 | 4,828 |
| Social assistance | 26,795 | 11,767 | 676 | 2,219 | 5,434 | 4,520 | ² 349 | 53,760 |
| Other | 2,044 | 1,041 | 86 | 369 | 534 | 826 | 206 | 5,106 |
| Unknown | 3,730 | 2,477 | 126 | 682 | 1,276 | 879 | 547 | 9,717 |
| Total | 58,886 | 37,495 | 2,837 | 21,354 | 16,662 | 19,817 | 4,137 | 161,188 |

Table 18.6: Recipients of social assistance, by labour force status and family group, 1992

| Labour force status | Single men | Single women | Lone parent fathers | Lone parent mothers | Couples without children (under 18) | Couples with children (under 18) | Unknown family group | Total |
|---------------------|------------|--------------|---------------------|---------------------|-------------------------------------|----------------------------------|----------------------|---------|
| Employed | 2,421 | 2,279 | 514 | 2,649 | 1,588 | 4,386 | 149 | 13,986 |
| Temp. Employed | 1,853 | 1,481 | 156 | 888 | 661 | 1,240 | 89 | 6,368 |
| Employment measures | 2,724 | 1,704 | 110 | 938 | 652 | 831 | 171 | 7,130 |
| In education | 6,285 | 3,447 | 225 | 1,444 | 1,077 | 968 | 516 | 13,962 |
| Unemployed | 25,180 | 10,005 | 950 | 3,469 | 5,724 | 5,715 | 1,165 | 52,208 |
| Not in labour force | 12,890 | 13,443 | 542 | 9,559 | 4,678 | 4,499 | 1,226 | 46,837 |
| Unknown | 7,533 | 5,136 | 340 | 2,407 | 2,282 | ² 178 | 821 | 20,697 |
| Total | 58,886 | 37,495 | 2,837 | 21,354 | 16,662 | 19,817 | 4,137 | 161,188 |

Table 18.7i- Social assistance recipients, by type of other benefit received and family type. 1992 (per cent)

| | Single men | Single women | Lone parent fathers | Lone parent mothers | Couples without children (under 18) | Couples with children (under 11) | Unknown family group |
|--------------------------|------------|--------------|---------------------|---------------------|-------------------------------------|----------------------------------|----------------------|
| | % | 54 | 4, | 5 | 54, | u | -is |
| Unemployment Benefit | 15 | 8 | 20 | 6 | 13 | 16 | 5 |
| Rehabilitation allowance | 5 | 7 | 8 | 5 | 6 | 7 | 1 |
| Disability pension | 10 | 16 | 6 | 5 | 14 | 6 | 5 |
| Single Parent Benefits | | 3 | 7 | 53 | | | |
| Survivors benefits | | 1 | 1 | 1 | 1 | | |
| Old age pension | .. | 9 | | | 5 | | |
| Other pension | 2 | 2 | 2 | 4 | 1 | 4 | |
| 54 of family type | 33 | 46 | 44 | 74 | 40 | 39 | 17 |

less than 1 per cent

In 1992. 14 per cent of assistance recipients were foreign citizens.

Take-up

Generally speaking, there has been little debate on the take-up of benefits, although from time to time there is some concern about variations in the level of benefits between municipalities. The usual response to such concerns is that variations in benefits reflect variations in need.

18.7 Policy issues

Poverty and exclusion

There is no official poverty line in Norway. However, the minimum pension standard from the national insurance scheme has usually been interpreted as an unofficial minimum income standard. The local scale rates of social assistance are usually expressed as a percentage of the minimum national insurance benefit.

An average of the two waves of data from the Luxembourg Income Study, carried out during the 1980s, suggested a general poverty rate in Norway of around five per cent, with a level somewhat higher for older people. For all families with children, the general poverty rate was close to the average, but for lone mothers this figure rose as high as 17 per cent (Rainwater, 1992).

Epland and Korbol (1992), using data from the Norwegian Socio-economic Panel, estimated that 15 per cent of the Norwegian population experienced poverty at some time between 1986 and 1990, according to poverty lines defined as either 50 per cent of mean household income or the national minimum pension standard. However, less than one per cent of households had been continuously poor throughout the period.

The concept of poverty as such has played a marginal *role* in political debate in Norway since the Second World War. The focus has been more on inequality, unemployment and low incomes. Over the last few years some left-wing political parties and groups have aligned the problem of social exclusion to concepts such as the '213-society' or the '9110 society', but this provoked little political debate.

There is no poverty lobby in Norway. There are a few organisations which are usually grouped according to categorical social insurance or social security schemes, for example, for people with disabilities, lone parents and older people. In a public policy context, however, these organisations have played a marginal role.

Legally, there are no groups who are excluded and do not have proper access to social assistance. Everyone has the right to claim income support in the municipality in which they stay although they do *not* have to live there. In practice it is likely that there are some people who have greater problems than others in

making a successful claim for social assistance. but there is no empirical evidence available to indicate which particular groups might be involved.

When comparing the local scale rates of social assistance with those of the Norwegian Standard Budget, the level of benefit may be seen to be satisfactory for households without children, but gradually becomes more unsatisfactory as the number and ages of children within the household increase.

Public debate on social assistance

Generally, there has been very little public criticism of social assistance arrangements over recent years and popular attitudes appear to be stable. Public opinion surveys from 1984, 1988 and 1991 have focused on two aspects of social assistance: institutional legitimacy (trust in the arrangements) and individual attitudes towards claiming. These surveys uncovered a basic stability in peoples' views. There has been an even distribution amongst the population with regard to the trust or mistrust of assistance arrangements. However, a clear majority expressed an unwillingness to apply for social assistance themselves.

During the 1980s there was some debate about the discretionary element of social assistance which was partly a debate about justice and equity and partly about the effectiveness of the scheme. A fundamental difficulty of a scheme such as Social Economic Assistance, which is based on an individual holistic judgement and the use of discretion, is the premise that 'unequal cases have to be treated unequally': the treatment of each case has to vary because each case is unique. People who defend the existing scheme argue that because of variations in living and housing costs between municipalities, a system of national scale rates would generate injustice. Thus, in principle, the discretionary elements of social assistance make it possible to adjust benefit levels according to individual need.

It is difficult to estimate the degree to which variations in benefit levels between municipalities are a result of local discretion or local political administration. In the Norwegian constitutional system, municipal self-government has played an important role, whilst at the same time local municipalities are a part of the national state. In the light of this, one problem has been establishing an agreement about the limits of self-government; decisions are required on the amount of variation to allow within the locality whilst at the same time recognising the wider national implications of such decisions. The primary advantage of local implementation is the opportunity to adjust the level of benefit to local values and norms, which can in turn increase the legitimacy of the social assistance scheme nationally.

During the 1980s, the Ministry of Health and Social Affairs started (informally) to build up national scale rates. The Labour Government, however, did not implement these rates in the new 1991 Act, which largely replicated the previous arrangements. Municipalities, which fund most assistance expenditure, oppose the introduction of national scale rates, as they do not want the state to decide the levels they should pay. As part of the parliamentary process of the 1991 Act, there was, however, some debate about the use of 'workfare'. The new Act has allowed some municipalities, in some circumstances, to require that claimants work for social economic assistance benefits. Even though this was an important change in principle, it provoked rather a limited public debate.

In Oslo, and some other large cities in Norway, there has been some debate over access to social assistance, long waiting times and arbitrary decision making. Criticism has come largely from those acting as spokespeople for claimants and was particularly strong in the 1980s, when the number of assistance recipients grew rapidly. The introduction of computerised administrative systems has quietened some of the debate, however, by reducing waiting lists.

There is no public debate on the implicit equivalence scales that are built into social assistance rates. The discretionary element of the social assistance scheme serves to conceal the relationship between the amounts for different family types. There has been some recent discussion on whether cohabitants ought to be categorised as two single people or as a couple.

The division of financial responsibility between central government and the municipalities

The debate about the division of responsibility for financing municipal activity generally, and social assistance in particular, has arisen from time to time over the last 30 years. In the 1980s the Norwegian Parliament decided to transfer money from the state to municipalities as block grants, based on the number of assistance recipients. This has had little impact on the actual amounts received by municipalities, however, and there is no financial incentive for municipalities to increase the number of recipients in their areas. In 1991, Parliament confirmed again that municipalities should be responsible for financing social assistance.

Social work and social security

The aims of the Norwegian social assistance scheme embrace more than the distribution of money. One of the main objectives is to provide information, advice and guidance in order to help recipients become self-supporting through paid work. Thus the task for the social worker is partly to secure subsistence, but also to stimulate and enforce recipients' work-seeking activity. These roles of help and control can sometimes be in conflict. However, over the last 15 years the number of recipients has increased substantially, thus moving the scheme further in the direction of income maintenance in spite of its wider objectives. This development has made social workers' jobs both more easy and more difficult - easy because assessing and paying benefits (which is seen as more straightforward) has tended to dominate their activities, and difficult because it has challenged their identity as professionals. The role of a social worker administering the social assistance scheme is thus increasingly experienced simultaneously as both challenging and frustrating.

Stigma

The distinction between 'deserving' and 'undeserving' recipients has played only a marginal role in Norway since the Second World War. The terms apply mainly to the distinction between recipients who are eligible for benefits from national standardised schemes and those who are eligible only for benefits from local discretionary schemes. In Norway, these correspond to the National Insurance Scheme and social assistance respectively. Strictly speaking the National Insurance Scheme is not an insurance-based scheme at all, since it is non-contributory and flat-rate. There clearly is a problem of stigma relating to assistance, but there is no empirical evidence of the degree to which this may deter people from claiming benefits.

Administrative efficiency

As an income maintenance scheme, the social assistance scheme in Norway may be seen as administratively inefficient. The large elements of discretion tend to prolong the time taken to process and deliver benefits (Term, 1994). This is one of the reasons why most municipalities have adopted local scale rates. There is no empirical evidence to show the average time social workers spend on each case, but it is usually at least two weeks before a new applicant will receive an answer to an application, though if there are urgent needs it is possible to receive payment on the same day. There are no published performance indicators for municipalities administering social assistance.

The discretionary elements of social assistance benefits also make the dissemination of publicity and knowledge about benefits very difficult. The municipal Ombudsman for health and social security in Oslo publishes an annual report

which gives some information about the obstacles faced by people trying to understand the social security system.

Incentives and disincentives

There is evidence to confirm the existence of unemployment and poverty traps, but there is little information about the degree to which these traps really affect recipients. There is a debate about work incentives and the disincentive effects of benefits, but this has referred largely to unemployment and sickness benefits and has been marginal in discussions on social assistance benefits.

The disincentive *effect* of the relationship between income-related social assistance and housing costs (as experienced in a number of countries) is thought to present only a limited problem in Norway. Theoretically, the system gives incentives, within certain limits, to increase housing standards, but there is no empirical evidence to support such a theory.

18.8 Recent and forthcoming changes

The major policy proposals put forward during the last decade were:

- to make a clearer separation between cash and care
- to establish a legal right to national social assistance scale rates
- to introduce 'workfare'.

Of these, only workfare has actually been implemented in national legislation. A research project to study the effects of 'work for benefits' was, however, abandoned after the first year, concluding that there were not enough data, since only one or two municipalities had introduced experimental workfare schemes.

The main changes to social insurance and other non-contributory social security benefits which could have an impact on social assistance have been:

- an extension of the eligibility period for Unemployment Benefit. This has been increased to 80 weeks, which is followed by a 13 week suspension and then a further entitlement for 80 weeks. Until 1984 claimants were entitled to 40 weeks Unemployment Benefit, a 12 week suspension and then a further 40 weeks of benefit
- a limitation on entitlement to sickness and disability benefits, with the introduction of more stringent demands for documentary proof of illness
- a maturing of the earnings-related pension, which has improved the financial position of every new pensioner cohort.

The Government is currently aiming to reduce social security expenditure by:

- scrutinizing the various administrative procedures and by increasing the level of control over unemployment, sickness and disability benefits
- increasing 'self-supportiveness' through paid work, with a gradual change from entitlements and rights to incentives, rehabilitation and work programmes for the unemployed.

It is, however, difficult to predict at present how these policy changes will affect either expenditure on social assistance or its administration.

18.9 Overall performance

Social assistance plays a fairly small role in the overall, comprehensive system of social protection in Norway, though one that has increased significantly over the last decade. While being broadly inclusive, of all the Scandinavian systems it is perhaps the most discretionary and localised, and it is therefore difficult to predict what people in particular circumstances are likely actually to receive. It does,

nevertheless, seem that for many family types Norway provides one of the more generous levels of benefit of the countries in this study.

In common with the other Nordic countries, however, Norway also appears to operate a very strict means test, and although empirical evidence concerning stigma is lacking it seems unlikely that a distinction is not felt on the part of claimants between the experience of support from the non-contributory or insurance-based benefits and that from social assistance.

One of the arguments for local discretion is that it provides flexibility when looking at individual cases. Defenders of the Norwegian system suggest that nationally-set rates would generate regional injustice because of variations in living and housing costs across the country. On the other hand, the system has also met with some criticisms for being inefficient and slow.

One interesting feature of assistance in Norway is the higher than usual degree of individualisation in entitlement, in particular the treatment of cohabitants as individual units. This can be seen as in line with wider moves within social security towards equal treatment and the rights of women to individual incomes, though it can lead to inconsistencies in treatment of otherwise similar household types.

In spite of the relatively high level of lone parenthood in Norway, lone parents make up a smaller percentage of assistance recipients than in many other countries, partly because of the existence of the special Transitional Allowance. This is income-related but not means-tested, and while it has the advantage of securing a standard of living for lone parents at a level higher than that normally available on assistance, it does not seem to be very effective in helping lone parents to become self-supporting through work, in spite of the training and educational opportunities attached.

In general the work incentives and employment and training opportunities linked to social assistance do not appear to be particularly successful at present, and the growth in claimant numbers is also putting some strain on the supportive and rehabilitative elements of assistance which have traditionally been seen as important in the Nordic countries.

Chapter 19 Portugal

19.1 Background

Demography

Portugal had an estimated population of 9.87 million in January 1994, making it one of the smaller European Union countries (Eurostat, 1994a). The population has grown very little in recent years. The fertility rate, at an estimated 1.53 in 1993, is marginally above the EU average, but Portugal has the lowest life expectancy of any country in the European Economic Area (EEA), both for men and women. It has the highest marriage rate (7.1 per thousand in 1992) in the EEA and the lowest divorce rate (1.3 per thousand in 1992) after Greece, Spain and Ireland, though 17 per cent of births are outside marriage -- only a little below the EU average of 20 per cent. An estimated nine per cent of families with a child under 15 years were headed by a lone parent in 1990/91 (Eurostat, 1994b).

Around 13 per cent of the population are over the age of 65, with about 20 per cent being under the age of 15. As in other European countries, the population is ageing and this process is accentuated in Portugal by the low rate of population growth. The ratio of people of working age to those over 65 has been projected to drop by nearly half between 1980 and 2040 (DSS, 1991), which may lead to strains on the economy in future years.

Employment and the economy

The Portuguese economy has been expanding faster than that of most countries in the OECD since 1987, with an average growth rate of 4.6 per cent. The small blip in the growth rate that was experienced in 1992 was the first fall since 1984. This was partly the result of the European-wide downturn which was occurring at the time. Portugal appears to have escaped from serious consequences reasonably lightly.

Until the early 1990s, Portugal had one of the lowest unemployment rates in the EU and although still rising (projected to reach around seven per cent in 1995) the rate, which averaged five per cent in 1993, remains significantly below the OECD average. The groups who face particular employment problems are young people, women and the longer-term unemployed, whose concentration among the unemployed has been increasing. However, the long-term unemployment rate of 30.9 per cent in 1992, while a little above the OECD average, was still below the average for the member countries of the EU (OECD, 1994a).

Inflation averaged just over 11 per cent in the late 1980s, and was still around nine per cent in 1992. In the first six months of 1993, however, with domestic cost pressures subsiding, it fell rapidly to 5.6 per cent -- the lowest rate for more than two decades.

The political framework

The organisation and delivery of social security in Portugal is primarily a matter for the national state and thus administration is relatively centralised. Local authorities have a substantial political role, however, though less so in social security, but there is a current debate about greater decentralisation of functions and finance which may impact on social security delivery in the future.

The present government is controlled by the Social Democratic Party (PSD), with the Socialists as the second largest party.

19.2 The social security system

Historically, Portuguese social security provision was based on Bismarckian principles, with coverage restricted to workers with appropriate contribution records. As yet there is no commitment to a general minimum income benefit. Portuguese social security divides into two main branches: contributory benefits, which cover family benefits (mainly family allowances and maternity benefits), unemployment and short-term sickness insurance, retirement pensions, invalidity and disability benefits, and death benefits (survivors' pensions and funeral grants); and non-contributory schemes which offer some protection to people without sufficient insurance contributions.

The contributor) Retirement Pension is available from the age of 65 for men and 62 for women (though a pension age of 65 for women is being phased in). It requires contributions of at least 15 years and is based on a percentage of the average wage received over the best ten years in the 15 years before retirement, multiplied by the number of contribution years.

For contributory Unemployment Benefit (UB), a recipient must have been paying contributions for at least 540 days within the two years preceding unemployment. It is payable for between ten and 30 months, depending on age. Benefit is based on 65 per cent of previous salary, rising to 70 per cent after a year, within upper and lower limits. There is also a Social Unemployment Benefit for people who had insufficient contributions or whose entitlement to unemployment benefit is exhausted. It also requires contributions, but only for 180 days out of the previous year. It is paid either for the same length of time as Unemployment Benefit or for half as long again if it is received after the UB entitlement has been exhausted. The rate of payment is based on a percentage of the national minimum wage for the claimant's industry (from 70-100 per cent depending on the size of the family), up to a ceiling of the claimant's previous average wage. It also requires the claimant to be in a situation of economic need.

Health services are not linked to social security and there is a national health service. Some services require partial contributions from users, but many recipients of social security benefits are exempted from payments or have contributions reduced.

Social security is delivered through regional social security centres, which are autonomous bodies, but which are under the policy and administrative direction of the national Ministry.

The OECD has estimated that in 1991 Portugal spent around 11.3 per cent of GDP on social security (defined as 'social protection' minus health expenditure) (OECD, 1994d, Table 1c). This was well below the EU average of 16.87 per cent.

19.3 Social assistance

Introduction

This study focuses on social assistance in terms of those income-related or means-tested benefits, available to people whose resources are officially held to be insufficient to maintain a minimum standard of living' (Questionnaire for National Government Officials). In Portugal, the term 'social assistance' is often linked to the traditional forms of helping the poor and as such is not held in high esteem. *The term* as such is not found in the country's present social security basic law. Neither is there an officially acknowledged level of resources needed to maintain a minimum standard of living. There are however, certain benefits that resemble what is generally accepted to be 'social assistance'.

Non-contributory assistance schemes in Portugal are covered by national regulations and cover those people who are not covered by the general scheme (employees and the self-employed) or any other social protection scheme, and any other people in economic or social need. The benefits available are:

- Family Allowance
- Supplementary Allowance for Disabled Children and Young People
- Nursing Allowance
- Orphan's Pension
- Survivor's Grant
- Social Invalidation Pension
- Benefit for the Integration of Young People into Working Life
- Social Old-Age Pension
- Supplementary Pension

Thus while there is no generalised scheme of social assistance or minimum income guarantee, there is a wide range of categorical support for people with insufficient resources.

Legislation and policy objectives

Regular, means-tested payments established by law are a comparatively recent development in Portugal. Indeed, the first non-contributory means-tested old age and invalidity pension was introduced in 1974, following the revolution against the Salazar dictatorship.

Legislation covering the social assistance schemes in Portugal aims to grant a basic level of social protection to people not covered by other social security schemes, and to ensure minimum resources for those on low incomes without the means to support themselves. The current legislation regulating social assistance is as follows:

- Decree Law 160, May 1980 (non-contributory scheme)
- Decree Law 464, October 1980 (Social Invalidation Pension)
- Regulation 71 November, 1980 (non-contributory scheme)
- Law 50, April 1988 (Benefit for the Integration of Young People into Working Life)
- Decree Law 329 September, 1993 (Supplementary Pension).

The latest addition to the assistance schemes is the Supplementary Pension (or Income Supplement) which came into effect in January 1994. This provides supplementary assistance for retired people whose social insurance contribution records are insufficient to generate a minimum level of pension (Arcano, 1994).

Social assistance schemes are becoming increasingly important because of the limitations of provisions made by other social security arrangements, the increase in unemployment and in order to protect people on low incomes. Studies are currently being undertaken with a view to reforming the non-contributory schemes in order to implement a generalised guarantee of sufficient resources, in accordance with European Union recommendations (92/442/EEC).

Administrative and regulatory framework

All rates of non-contributory benefits are set nationally and are the responsibility of a central government Ministry, under the supervision of the Secretary of State for Social Security. Administration is carried out by Regional Social Security Centres, under the responsibility of the Secretary of State.

Conditions of entitlement

The main general condition of entitlement is that claimants must be in need and have insufficient income from other sources. Only claimants of the young person's integration benefit are required to be available for work.

Once young people reach the age of 15, they can claim Family Allowance independently. For the Social Invalidation Pension, the minimum age for independent claims is 18 and eligibility is subject to a health test. The young person's integration benefit is available only to those aged between 15 and 18 years. To be eligible, in addition to being available for work, a claimant must have completed nine years of compulsory education.

To be eligible for the Social Old-Age Pension, a claimant must have reached retirement age (currently 65).

Residence and nationality

Every national resident is entitled to claim benefits, as well as nationals from other EU countries, if resident in Portugal, in accordance with European legislation. Other, non-national residents are entitled to claim benefits if their native country has a bilateral agreement with Portugal. At present Portugal has bilateral agreements with Canada, Cabo Verde, Guinea and Australia.

Political refugees and stateless persons may claim benefits if they fulfil a six-month residence requirement.

Those claiming social assistance are able to continue to claim whilst abroad, if their visit is for less than 90 days in a year.

Duration of entitlement

The duration of entitlement to assistance benefits varies according to the benefit, as follows:

- Benefit for the Integration of Young People into Working Life 15-month maximum
- Orphan's Pension -- up to the age of 18
- Family Allowance (for children) - up to age 25 if in full-time education
- Supplementary Allowance for disabled children and young people - up to the age of 18 (after 18 they can claim the Social Invalidation Pension).

As long as the need continues and other conditions are met, all other benefits are available indefinitely.

Availability for work and labour market policy

Only recipients of the young persons' integration benefit are expected to be available for and seeking work. Proof of seeking work is demonstrated by registration at the local employment centre for at least six months. Claimants of this benefit should also not have worked for more than 180 days out of the previous 360 prior to the date of unemployment.

For young people who are seeking their first job, registration at the employment centre is only possible after they have completed a vocational training course or basic education. This benefit is also linked to various other labour market and training initiatives, some of which are supported by the European Social Fund.

Self-employed people are not entitled to non-contributory benefits, as it is presumed that they will be covered by compulsory social security schemes.

The benefit unit

Eligibility for social assistance is based on the individual making the claim. Children are deemed 'dependent' while they remain in full-time education, and can therefore become 'independent' at any time between 15 and 25 years of age. All children, including grandchildren, stepchildren and those fostered or adopted, can be included in a claim for Family Allowance. Any adult relatives living in the household are treated as separate units.

Income and assets tests

When a claim is assessed, the income of the claimant, his or her partner, their children and any other dependent family members is taken into account. The incomes of non-dependent family members cannot be taken into account unless they are treated as a part of the benefit unit.

All earnings are counted in full, as are other social security benefits (except Family Allowance and Survivors' Pension) and child maintenance. Any income from investments is also counted in full. Training allowances, income *from* sub-tenants and lodgers, the value of the claimant's home, gifts and payments *from* charities are fully disregarded. Earnings are assessed gross of tax and other contributions.

For the Social Invalidation Pension, the monthly income of the individual must not exceed 40 per cent of the national minimum wage and the average income of the family must not exceed 80 per cent_ while for the integration benefit the average income of the family must not exceed 60 per cent of the national minimum wage.

For other benefits, families are entitled to payments if total monthly income does not exceed 40 per cent of the minimum wage. Income is counted escudo for escudo for most benefits. For the Social Old-Age Pension, however, benefit is withdrawn at only 30 per cent of other income for a single pensioner and 50 per cent for a couple.

Benefit levels

Payment levels are set nationally, on a yearly basis, by central government. Up-rating is determined by changes in the retail price index (Table 19.1).

Table 19.1: Rates of non-contributory benefits, 1992-1993

| | Monthly payments | |
|--|--|----------------------|
| | February 1992 (ESC) | February 1993 (ESC) |
| Family Allowance ¹ | 2,200 or 3.300 | 2,330 or 3.500 |
| Supplementary Allowance for Disabled Children and Young People: | | |
| up to age 14 | 5,260 | 5.580 |
| from 14 to 18 | 7,690 | 8.150 |
| from 18 to 24 | 10,260 | 10.88€ |
| Constant Attendance Allowance, for those entitled to Supplementary Allowance | 8.300 | 8.800 |
| Allowance for the Attendance of Special Educational Establishments | Depends on the household income | |
| Nursing Allowance | 3.870 | 4.100 |
| Orphan's Allowance | 20-40 ⁱⁱⁱ of 14,600 depending on the number of children | as before but 15.700 |
| Survivor's Grant | 60 ⁱ of 14.600 | 15,700 |
| Social Invalidation Pension | 14.600 | 15.700 |
| Social Old-Age Pension | 14,600 | 15.700 |
| Benefit for the Integration of Young People into Working Life | 14,600 | 15.700 |

ESC 2.200 for the first two children, then ESC 3,300 From the third child on under certain circumstances

ⁱ In 1993 purchasing power parities, L¹SS1 ESC 124 and £f = ESC 197

Source: Ministry of Social Security, 1994

Using purchasing power parities for comparison, we can see that the rate for the Social Pensions and the young person's integration benefit in 1993 was the equivalent of approximately US\$ 127 or £80 per month, while the upper rate of Family Allowance was around US\$ 28 or £18.

In addition to receiving the Supplementary Allowance for disabled children, claimants may be entitled to either an allowance for attending a special educational establishment or a constant attendance allowance. Claimants may also be entitled to a home help, occupational therapy and access to residential homes.

Recipients of social assistance benefits are not required to pay contributions towards insurance benefits or pensions. but neither do they receive credits for periods on benefit.

One-off and urgent payments

One-off payments have a long tradition in Portugal. since regular social assistance payments generally do not meet the full needs of the individuals and families who receive them. There is no formal system of emergency payments, however. Such payments as are made are usually given by local authorities. Any unexpected need is assessed by local social workers and may (at their discretion and if resources allow) justify a one-off payment. Payments may sometimes be conditional on the claimant accepting advice or counselling, especially where a social worker feels that the improvement of the situation (or the solution to a particular problem) demands changes in the behaviour of the claimant.

When one-off needs are not covered by the public welfare services, charities and other non-governmental organisations may provide some form of help. However, there is no established set of rules which states that these organisations should provide a second line of social assistance. The situation of people who are not supported by public social assistance is always highly vulnerable (Brute) da Costa, 1994a).

Fringe benefits and concessions

Additional help is also available to claimants of social assistance, but not directly within the scope of the non-contributory benefits. Pregnant women, children under 12, disabled people and pensioners with an income below the minimum wage can all receive help with medical costs. Educational grants are available from the Ministry of Education and disabled people and those aged over 65 years are entitled to reduced fares on public transport. The National Health Service also operates a separate means test for reduction or total exemption from charges. Various forms of help are also available from the local authorities, though their financial aid does not extend beyond one-off or temporary aid. Support on a local basis is more often given in kind, through the provision of services such as creches, kindergartens and homes for older people.

Administration and the claiming process

Benefits are generally applied for in person at the regional social security centres by filling in an application form. Minority languages do not appear to be a problem for claiming social assistance since the vast majority of the members of minority ethnic groups eligible for social assistance are from Portugal's ex-colonies. It is the responsibility of the social welfare services to investigate claimants' circumstances. However, claimants themselves are expected to report any circumstances that could affect their benefit entitlement. If a person's income increases, particularly if they are in receipt of a Supplementary Social Pension. it must be reported.

Payments are made on a monthly basis by postal order. Claims do not usually require renewal as long as the need continues and the conditions of the means test are met. If recipients are mistakenly paid more social assistance than they are entitled to, 'overpayments' are recovered from future payments or from other

income depending on whether the mistake is the fault of the claimant or the institution. There are, at present, no regulations for the recovery of overpayments from people other than claimants themselves.

Regional social security centres have their own inspection teams for controlling and detecting fraud. Each claimant is also given an identification number and card as soon as they start to claim social assistance. There is, however, little debate on fraud - possibly because of the small number of *known* cases. It is also possible that the lack of attention is due to the fact that entitlement to social assistance usually corresponds with a situation of particular deprivation (Bruto da Costa, 1994a). Fraud is also controlled by careful evaluation of benefit entitlement and periodic re-assessment of circumstances.

Nevertheless, there are suspicions of at least two types of fraud. One consists of claimants 'hiding' part of their income in order to pass the means test. The other concerns beneficiaries of the Social Pensions or Unemployment Assistance who also work in the informal economy.

Those claiming social assistance may challenge decisions of the authorities if they consider their rights to have been infringed in some way. Appeals against the decisions made about social assistance claims are first lodged with the social security institutions and then with the administrative courts. They can also lodge a complaint with the Ombudsman who can make recommendations to alter the decision taken. His recommendations are not binding, however. Within the social security network itself, there is one Department charged with the responsibility of inspecting regional social security centres.

There is a current debate on regionalism which is relevant to all areas and sectors of administration. The discussion is about decentralisation of decision-making powers accompanied by a corresponding redistribution of financial resources in areas including social security. It should be stressed that in Portugal elected local authorities have a particularly strong democratic legitimacy and autonomy. Against this background, social assistance is often only a minor aspect of the broader debate.

The role of non-governmental organisations (NGOs) in social assistance

Portugal has a wide network of NGOs working in the field of poverty and social action. These are non-profit institutions and are grouped in two associations - the *Misericordias* (institutions with a Christian inspiration) and those of a more secular outlook. From a legal point of view both types of institution are known as 'private institutions of social solidarity'. Most of the institutions are involved directly in the area of social welfare (for example, food, clothing, kindergartens, day centres for the elderly, and leisure activities for youth).

Recently some have also developed occupational training programmes. The NGOs have an important role in providing help for children and young people, families, and disabled and older people. They receive their funding from central government mainly on the basis of 'co-operation agreements' (see Table 19.2). However, they are not directly involved in distributing cash payments of social assistance.

Table 19.2: State funding of NGOs in Portugal, 1991, by sector

| | Thousands of Escudos |
|-------------------------------|----------------------|
| Children and young people | 20,305.2 |
| Family | 907.7 |
| Invalidity and rehabilitation | 1,432.6 |
| Old age | 11,801.9 |
| Total | 34,447.4 |

Source: Ministry of Social Security. 1994

In return for state funding, the NGOs have to follow certain rules concerning prices, personnel, quality norms, and capacity. Both networks also act as a 'poverty lobby' and are frequently heard and consulted by Government in social welfare issues. Their influence becomes particularly visible when it comes to defending the role of their own sector in social welfare.

19.4 Housing assistance

There is a means-tested housing allowance in Portugal which was introduced after a decade of the old law, under which rents in Lisbon and later other parts of the country were frozen and could only be changed when the tenant left the house and a new contract was signed. This subsidy is included within the scope of non-contributory benefits and occasional temporary cash benefits in cases of need. Housing allowance is the responsibility of the Ministry of Public Works and Transport and is administered by the regional social security centres. The level of benefit is fixed annually and is available for up to 12 months. For those in sudden need as a result of a death, unemployment or invalidity, emergency housing allowance is available.

Entitlement to housing allowance requires the claimant to have suffered a 30 per cent reduction in their gross monthly income, or to have an income equal to the level of the non-contributory Social Pension. Payments cover both public, social and privately rented accommodation, but not owner-occupation.

193 Trends in expenditure on social assistance

Social assistance in Portugal is financed entirely by central government from general taxation. Table 19.3 shows total expenditure on assistance benefits and associated administrative costs since 1980, together with overall Government estimates of expenditure on social security.

Social assistance expenditure fell as a proportion of all social security spending from 6.6 per cent in 1985 to four per cent in 1992.

Table 19.3: Social security expenditure in Portugal, 1980-1992

| Year | Expenditure on non-contributory assistance schemes (millions of Escudos) | | | | |
|------|--|----------------------------|--------------------------|--|------------------------|
| | Benefits (1) | Adminis- tration (2) | Total (3) = (1) + (2) | Total expenditure on social security (4) | % (5) = (3) 1(4) |
| 1980 | 2.355.0 | | 2.355.0 | 10 3,674.0 | 2.3 |
| 1985 | 19.823.9 | | 19.823.9 | 301.640.9 | 6.6 |
| 1990 | 38,999.9 | 1,928.2 | 40,928.1 | 850,031.1 | 4.8 |
| 1991 | 42,641.1 | 2,064.2 | 44,705.3 | 1,036,609.8 | 4.3 |
| 1992 | 47,511.7 | 2,166.9 | 49,628.6 | 1,234,247.4 | 4.0 |

Source: Ministry of Social Security, 1994

Total expenditure on social assistance in 1992 was equivalent to around LSS 421 million or £264 million.

19.6 Trends in receipt of social assistance

Table 19.4 shows the numbers of people receiving assistance between 1980 and 1992, by benefit.

Table 19.4: Numbers of recipients of non-con trihutury schemes. 1980-1992

| | 19130 | 1985 | 1990 | 1991 | 1992 |
|--|--------|---------|---------|---------|---------|
| Family Allowance | | 10,604 | 24,885 | 24,263 | 23,245 |
| Supplementary Allowance for Disabled Children and Young People | | 413 | 1,328 | 1,263 | 1,371 |
| Allowance for Attendance of Special Education Establishments | | 72 | 128 | 186 | 204 |
| Constant Attendance Allowance | | | 67 | 102 | 140 |
| Birth Grant | | | 34 | 138 | 146 |
| Nursing Allowance | - | 616 | 1,161 | 1,265 | 772 |
| Social Invalidity Pension | 16,000 | 52,144 | 52,251 | 52,037 | 52,675 |
| Social Old-Age Pension | 62,588 | 235,570 | 150,024 | 135,974 | 125,273 |
| Survivor's Grant | - | 4,461 | 3,892 | 4,231 | 2,954 |
| Young Person's Integration Benefit* | | 481 | 290 | 135 | 26 |

* Arcanjo. 1994
1989

Source: Ministry of Social Security. 1994

Since 1985, the number of recipients of the Social Invalidity Pension has remained static, while the number receiving the Social Old-Age Pension have declined, presumably because of improvements in the contributory pension. After an initial expansion after the introduction of the means-tested Family Allowance, the numbers have now stabilised. In 1992, just over 12 people were receiving non-contributory Invalidity Pensions for every 100 receiving an insurance-based invalidity payment. The equivalent ratio for age pensioners was nine in 100 (Ministry of Social Security, 1994). It appears that the young person's integration benefit has only ever gone to a very small number of people, and the clientele has been declining since 1989.

19.7 Policy issues

Poverty and inequality

Brute, da Costa (1994b) has analyzed the distribution of poverty in Portugal between 1980 and 1989. He rejected the notion of constructing a poverty line derived from a single measure, in favour of a composite poverty line expressed in terms of total consumption of food, adjusted using a variant of the Engel coefficient. He distinguished between the cost of food in rural and urban locations and concluded that the equivalent poverty line for 1980 was just under ESC 52,000 per annum in rural areas and just under 71,000 per annum in urban areas. The equivalents in 1989 were estimated as ESC 253,000 and 341,000.

The four poverty lines were applied to the population of mainland Portugal using the OECD equivalence scale. In 1980, this resulted in a global poverty rate of 25.5 per cent (27.7 per cent in rural areas and 18.0 per cent in urban areas). Eighty-one per cent of poor households lived in rural areas (places with populations of less than 10,000). This was a function of the higher rural poverty rate and the higher proportion of the Portuguese population (74 per cent) living in rural locations. By 1989, the global poverty rate had fallen by three per cent to 22.3 per cent. However, there had been a significant decrease in rural poverty (down by 5.5 per cent) and an increase in urban poverty (up by 4.4 per cent). This reflects the rise in income available to the rural population and the decline in resources available to urban households. Poverty appeared to be becoming more of an urban phenomenon.

There is no officially accepted poverty line in Portugal or any accepted minimum income level. The levels of social assistance benefits are well below the threshold for payment of income tax and similarly less than even the lowest wages. Consequently there are few opportunities for either unemployment or poverty traps to develop.

In 1985, a group of non-governmental organisations and individuals organised a seminar which aimed to place the issue of poverty firmly in the public domain. When Portugal joined the European Community, the second European poverty programme also provided another opportunity to discuss matters relating to poverty. It is now widely accepted in Portugal that there is a problem of poverty and social exclusion and that it should be a matter of political concern. What is more controversial is how the problem of poverty and social exclusion should be tackled. Some believe that current programmes are all that can be managed within existing resources and that expansion of social protection would weaken the Portuguese economy and make it less competitive. Others claim that more could be done with existing resources in areas such as education and wages without damaging the economy. A third group concentrates on the structural causes of poverty *and* emphasises the need for social changes that go beyond redistributive measures.

Social expenditure has been a subject of debate in three aspects: first, with regard to the effect of social security contributions on labour costs and, consequently, on the competitiveness of the Portuguese economy; secondly, in its implications for aggregate levels of public expenditure and on public debt; and thirdly within the broader discussion on the 'crisis of the welfare state'. It is not yet possible to predict the outcome of the debate. All sides seem to be concerned with the protection of the situation of lower-income groups, and it is generally recognised that Portugal does not yet meet the recommendations of the European Union with regard to minimum levels of social protection. Some argue that overall improvements could be made by subjecting benefits which are currently universal and free (or almost free, such as some health services) to selective criteria, without adverse effects on poorer groups. One question is whether making these benefits selective will hinder access to them.

19.8 Recent and forthcoming changes

Two draft Acts on the establishment of a guaranteed minimum income have been submitted to Parliament in recent years by the two opposition parties (the Socialists and the Communists).

The draft law presented by the Communist Party aimed to establish a subsistence minimum income to all resident citizens over the age of 18 whose incomes fell below 50 per cent of the national minimum wage for a single person. In the case of those unemployed, it required them to be available for work. The proposals included an equivalence scale for relating benefit to household composition. Benefit would correspond to the difference between the established subsistence minimum income and the actual income. This proposal was rejected.

More recently the Socialist Party submitted its own draft proposals to the Parliament for the establishment of a minimum guaranteed income. This benefit would be available to all single people and families whose income fell below a certain level. Eligibility would be based on the following cumulative conditions:

- * being over 25 years old, or a dependent child
- S being available for work, unless disabled due to health or age
- S being available for occupational training or integration
- having a legal residency.

The amount of the minimum guaranteed income for the head of the family under this proposal would be equal to the social pension, with an equivalence scale for other members of the family. Benefit would correspond to the difference between the minimum guaranteed income and actual income, except in the case of earnings and training allowances where there would be an 80 per cent deduction. Furthermore, the beneficiaries would have additional benefits in the fields of health

and housing, comparable to those available to recipients of the social pension. This proposal was also rejected by Parliament.

There have been no clear trends in recent official policy in the field of social assistance. The only major changes recently introduced, and only indirectly related to social assistance, concern the invalidity and old-age insurance pensions. The two most controversial changes involve the retirement age for women and the method of assessing pensions. The retirement age for women is to be raised from 60 to 65, equalising it with that for men, and to be implemented over a six year *period*. *Three* reasons have been put forward for this change: the sharp increase in the elderly population, the comparatively *hi⁸her* life expectancy of women and the high proportion of women with professional careers. The minimum period of contributions for entitlement to old age pensions was raised from ten to 15 years, but the basis for assessing the pension was changed from the five best of the last ten years to the best ten of the previous 15 years.

19.9 Overall performance

Social assistance is relatively under-developed in Portugal compared to the schemes operating in many of the other E[countries. This is not surprising given its relative economic position, and it is likely that the family remains a necessary source of support for many people in economic difficulties. Nevertheless_ although there is only limited coverage at present, there is a national structure with defined benefit rates for certain groups who are likely to be among the most vulnerable, including older people and those with disabilities. These benefits also bring with them some procedural rights. including rights of appeal.

However, it seems unlikely that the full needs of families and individuals can easily be met at the current level of benefits. In this context the discretionary nature of payment for special or one-off needs may be problematic.

Chapter 20 Spain

20.1 Background

Demography

The population of Spain in January 1994 was estimated as 39.17 million, making it one of the larger countries in the European Union (Eurostat, 1994a). The rate of increase in the population in 1993 was, however, only just over a third of the EU average. This is partly because of its birthrate, which is the second lowest after Italy in the European Economic Area (EEA).

Like other European countries Spain also faces a problem of ageing. In 1990, 19 per cent of the population was aged 60 or over, but this has been projected to increase to 25 per cent by 2020 (Family Policy Studies Centre, 1993). It has also been estimated that the ratio of people of working age to those over 65, which was the second highest in Europe in 1980, will fall by more than half by 2040 (DSS, 1991).

Spain has an average marriage rate and a relatively low level of divorce. It also has a relatively low rate of births outside marriage. In 1992 this was estimated as ten per cent, as opposed to an average of 20 per cent in the EU countries (Eurostat, 1994a). Consequently lone parenthood has also been less common than in many other EU countries, although recent figures are not available.

Employment and the economy

The Spanish economy grew at the rate of 4.75 per cent over the period 1986 to 1991: thereafter, in common with other European economies, there has been a period of contraction and adjustment. Recession hit the Spanish economy in mid-1993 and GDP fell by one per cent during that year - the sharpest decline in 30 years. Inflation currently stands at around five per cent.

Unemployment has increased significantly and according to standardised OECD measures averaged 22.4 per cent in 1993, more than twice the EU average and three times that of the OECD countries as a whole (OECD, 1994a). There is a particular problem of youth unemployment, with rates in 1993 of over 43 per cent. Participation rates in 1992 were the lowest in the OECD after Turkey, at 58.6 per cent overall, with the rate for women being particularly low at just over 42 per cent (OECD, 1993c). Between 1976 and 1985, total employment in Spain contracted by 14 per cent, with non-agricultural private sector employment contracting by as much as 23 per cent. However, since 1985 there has been an increase in total employment. Even allowing for the recent recession and the very marked exodus from agricultural employment, total employment increased by 1.1 per cent per year over the period 1985 to 1993. The OECD (1994g) has pointed out that Spain has a large informal economy, which tends to distort the significance of recorded unemployment data.

The OECD argues that changes to the social security system (including extension of the duration of unemployment benefits and assistance in 1984 and 1989) have contributed to 'substantially raised reservation wages, thereby reducing effective labour supply and weakening downward pressure on wages' (1994g, p.75). Indeed, it is argued that the system encourages job change, with support from Unemployment Benefit between jobs.

A recent review of the Spanish welfare state claimed that:

Territorial and functional decentralization, an adequate balance between public and private production of welfare and the lack of a social safety net are some examples of the main system challenges. There are increasing obstacles to enlarging coverage of social protection in a period of growing social needs. Related to this and especially worrying, is the presence of structural unemployment and its links with inequality.
(Ayala, 1994. p.160)

The low birth rate and recent reduction in social security contributions are likely to make the further development of the Spanish social protection system even more difficult. Against this background there is some discussion of the role of the private sector in meeting the longer-term income protection needs of the securely employed population. Other suggestions include a move away from social insurance contributions to an extended value added tax.

The political framework

The Socialist Party has been in power in the central government since 1982. However, there has also been an increasing devolvement of powers to regional and local governments. There are 17 regions, or Autonomous Communities.

20.2 The social security system

Estivill (1994) describes the Spanish welfare state as being of mixed character: halfway between a universal model (Beveridge) and a 'professionalist' one ('Bismarck). Social security arrangements in Spain have historically been contributory, including old-age pensions which are based on earnings and years of contributions, but which have a minimum for those with insufficient contributions. Earnings-related Unemployment Benefit is also available, but is limited in duration, according to the record of contributions in the previous six years. The minimum contribution period is 12 months and the maximum period for which payments can be made is 24 months. Payments are based on 70 per cent of previous earnings for the first six months and then 60 per cent thereafter, with a minimum of the sectoral minimum wage and a maximum of 220 per cent of this reference wage.

There are also a number of benefits which are non-contributory, including family allowances, large family protection and disability benefits. For family allowances an annual amount of 36,000 Pesetas is payable for the first child (approximately US\$300 or £1813 in 1993 purchasing power parities). They are income-related but not means-tested. To qualify, a family's annual income must not exceed one million Pesetas. The relevant applicable amount is increased by 15 per cent for the second and each subsequent child.

Child disability allowances are payable without an income ceiling. The rates are as follows:

- 72,000 Pesetas per year if the dependent child is under 18 years and has a minimum 33 per cent disability
- 312,000 Pesetas *per* year if the dependent child is over 18 years and has a minimum 65 per cent disability
- ® 486,000 Pesetas per year if the child has a minimum 75 per cent disability.

There is special support available for large families. These are defined as consisting of a head of household, spouse and four children; a head of household, spouse and three children if one is disabled; a lone *parent* with three children; a couple with three children if either the head of household or spouse are unable to work; a couple with two children if either of the adults are disabled. These families are eligible for education grants, transport subsidies, priority access to municipal housing and assistance with loans and mortgages.

Since the fall of the Franco dictatorship, the scope of social assistance has been extended, both in terms of coverage and adequacy. However, the coverage is far from universal: protection is mainly available to some of the unemployed, older people and disabled people. There is very limited social assistance coverage for families, young people, women or those on low earnings.

20.3 Social assistance

Introduction

The origins of modern minimum income provision derive from a law (dated 21 July 1960) which established The National Fund for Social Assistance (or EON AS). There are two main areas of assistance. First there are a number of categorical benefits for specific groups in the population. These include temporary Unemployment Assistance for people who have insufficient insurance contributions or whose entitlement is exhausted, Minimum Pensions for older people without full insurance entitlements, and Invalidity Pensions for sick or disabled people who again lack full cover through a contributory scheme. Secondly, there is a general minimum income scheme (the *Ingreso Mínimo de Inserción* or *Renta Mínima*), which is available to people of working age, but is implemented in different ways by the different regions. First introduced, against the wishes of the central government, by the Basque authorities, the new measures were a reaction to increased levels of poverty. There are now variations of this scheme in place in 16 of the 17 Autonomous Communities, but some introduced their schemes only recently.

In what follows we concentrate mainly on the general scheme, but the other benefits are outlined in a later section.

Legislation and policy objectives

There is no specific national legislation defining the *Ingreso Mínimo de Inserción*, though the general principle is to alleviate poverty by means of cash benefits for basic living needs. Each Autonomous Community legislates for itself on social matters that are not covered by national social security provision. The present political situation is somewhat confusing, as a transition is in process from a centralised system and legacy to a more decentralised structure. The social security services and benefits in some regions are administered by the regional authorities, even though criteria and budgets are passed by the central Parliament. The minimum income benefit has been gradually and unevenly adopted by the regions and consequently there is enormous variation from one locality to another. Only the region of Balears does not yet have a minimum income scheme.

Conditions of entitlement

Entitlement to the minimum income is conditional upon household monthly income being less than the 'applicable amount' (which varies from region to region). The claimant must be available for work and actively seeking work. Benefit in all regions is normally only available to people between 25 and 64 years of age. When claimants reach the age of 65 they are entitled to receive a retirement pension (either contributory or non-contributory, depending on circumstances). Benefit is, however, available to those under 25 years, if they are either disabled or have their own families to support.

Residence and nationality

There is no specific nationality condition attached to entitlement to the minimum benefit, but there is normally a residence qualification of at least one year in the particular region. This would generally apply to EU nationals and to refugees or asylum seekers, although this can vary between regions. Where refugees are not entitled to the benefit they may be able to get special help with pocket money, clothing and shoes, transportation and accommodation. The benefits are not portable. Not only is it not possible to transfer payments to another country, it is not possible to transfer them from one region to another.

Duration of benefit entitlement

The duration of entitlement to benefit varies from between six months and one year in most regions, though it is possible for it to be extended in individual circumstances. For example, it is available for a maximum of six months in Valencia, Andalucia and Madrid, but for 12 months in Aragon, the Basque country, Cantilla, Catalunya, Galicia, Murcia and Navarra.

A availability for work and labour market policy

Economically active claimants are required to be registered at the National Institute of Employment (INEM). Within each region there is a form of social contract with the claimant which normally includes provisions for labour integration, skill enhancement, professional retraining, assistance in applying for jobs, information about labour market vacancies and measures to overcome the psychological effects of unemployment.

It is possible for recipients of social assistance to be working while claiming, though income from work is deducted from benefit (see below). There are moves towards the introduction and enforcement of more stringent compliance requirements: existing 'signing-on' procedures are not regarded as being effective. Proposals are under consideration which would result in individuals who refuse an offer of employment from the INEM being struck off the unemployment register.

The benefit unit

The benefit unit is the nuclear family, consisting of the claimant, a partner if there is one, and any dependent children. Either partner in a relationship may apply for social assistance. However, two unrelated persons of the opposite sex living in the same house have to demonstrate that they are cohabiting. In order to do this, they must obtain a 'living together certificate' issued by the district council. This may be obtained on production of a census certificate: otherwise the information is validated by a process of checking with neighbours or people who look after apartment blocks. A Bill is presently (February 1995) being discussed which will regulate cohabitation. Children are classed as dependent until they reach 18 years, unless they are disabled.

Income and assets tests

The unit of assessment is the same as the benefit unit. Means tests vary somewhat between regions, but generally most income is taken into account. Net earnings and other social security benefit are counted in full, except for child allowances, attendance allowance, transportation allowance and maternity allowance. Children's income is counted in full, as is child maintenance. Investment incomes are also counted in full, but training allowances and one-off payments from charities are wholly disregarded. Income from tenants and lodgers is counted in full. Assessable income over the prescribed limits faces a 100 per cent withdrawal rate.

The value of the claimant's home is disregarded if it is his/her main home, but it is expected that the claimant will have no other assets.

Benefit levels

Social assistance rates are determined differently in each region. In 1992, the basic rates mainly ranged between 30,000 and 38,000 Pesetas per month (approximately US\$256 - 325 or £161 - 204). Monthly levels were as follows in a selection of the regions:

| | Pesetas |
|--------------------|---------|
| Catalunya | 37,000 |
| Castilla-La Mancha | 40,230 |
| Madrid | 38,295 |
| Pais Vasco | 36,500 |
| Asturias | 31,500 |
| Extremadura | 31,500 |

Other assistance-linked benefits

The other, categorical, assistance benefits in Spain are income-related rather than means-tested. This section describes their main features.

Unemployment Assistance: Assistance coverage for unemployed people dates from August 1984 and is available to certain unemployed people who either lack a sufficient contribution record for the insurance benefit or whose entitlement has run out. For single people without dependants, it is available either if they are over 45 years and have no Unemployment Benefit entitlement for at least a year, or if they have no UB entitlement but have paid contributions for at least six months. Those with families can receive it between the ages of 18 and 65 if they have exhausted their UB entitlement, or if they have no entitlement but have paid at least three months contributions. Claimants must be available for work. Foreigners are entitled to claim on the same basis as Spanish citizens, subject to residence and a work permit.

Benefit normally lasts for a maximum of 18 months in six month extension periods, but for people over 45 or long-term unemployed this can be extended for up to two years. People over 53 can receive extensions until retirement *age*.

Benefit is dependent on the total family income from all sources being no higher than 75 per cent of the appropriate minimum wage (100 per cent before 1994), and is paid at a rate of 75 per cent of the minimum wage, except for those over 45 who can, for six months, receive up to 125 per cent of the minimum wage, depending on family size.

Social Retirement and Disability Pensions: Again these are available to people whose insurance benefit entitlement is insufficient. For the retirement pension claimants must be over 65 and legally resident in Spain for at least five years. All family income is taken into account for the means-test and this must not exceed the minimum insurance pension, but retired people are not allowed to work and claim the assistance pension.

Disabled people must be between 18 and 65, have been legally resident in Spain for five years and have a chronic illness or disability amounting to 65 per cent incapacity. Disabled pensioners are entitled to continued payments if they are abroad for up to 90 days. Duration of both retirement and disability pension is unlimited.

Retirement and disability pensions are paid monthly (but there are two extra payments in June and December). The rates are set nationally and in 1992 were as follows:

| | Pesetas |
|------------------------------|---------|
| One single person | 31,530 |
| Two people living together | 53,601 |
| Three people living together | 75,672 |

For people with a severe disability who need constant care an extra amount is payable of 15,765 Pesetas per month (for 14 months). As one-twelfth of the full annual amount in purchasing power parities, the ordinary single person rate for these pensions in 1992 was the equivalent of approximately US\$314 or £198. Retirement and disability pensions are uprated by the national parliament in line with the Retail Price Index. In order to obtain the dependant's supplements for the retirement or disability pension there is a legal requirement that two adults of opposite sex living together must be married.

Retired claimants are eligible for additional benefits including assistance with transportation costs and reduced prices for use of leisure services. Social assistance claimants in general are not required to make any social insurance contributions:

access to health services is based on citizenship (through the National Health Institute).

One-off and urgent payments

One-off payments are entirely discretionary *and* are assessed by a social worker (from the local council or *Caritas*). There are no national statistics available, but beneficiaries are mostly lone parents, families with children, older people and the unemployed. In Barcelona (in 1991), *Caritas* distributed their one-off payments as follows:

| | |
|---|------|
| Housing (rents, electricity, gas and water bills) | 32.4 |
| Food | 25.3 |
| Children's needs (meals, text books etc) | 17.9 |
| Elderly people (basic needs) | 13.8 |
| Health (wheelchairs, glasses, prothesis) | 8.9 |
| Others | 2.6 |

Source: Aguabella, 1994

There are no rights of appeal. *Caritas* offers some loans to old people and other clients who do not receive help from the public sector. These loans are for housing, and in particular to prevent evictions. In 1991, 35 million Pesetas (US\$300,000 or £198,000) were made available for these loans.

An example of a statutory (non-contributory) benefit is *A yudas de Emerge/Ida* (Emergency Aid). This is paid in response to exceptional or urgent need and may be awarded by local, regional or central government. The amount payable varies from circumstance to circumstance and by tier of government (see Estivill, 1994, p.13).

Funding for one-off payments comes through support from central government, local taxes and lotteries. The proceeds *from* national lotteries are distributed through the provincial authorities.

Administration and the claiming process

For the minimum income benefit, claimants are required to make personal and detailed applications at the appropriate district council within each Autonomous Community. For the pensions, claimants apply at the National Institute of Social Security. The frequency with which claims have to be renewed varies between regions. Payments, however, are made every month. Credit transfer is the most popular method of payment for both category of benefits.

Claimants are required to report *any* changes in circumstances which are likely to have a material impact on the value or duration of the claim. There are no home visits to confirm the circumstances of claimants. Overpayments can be recovered from future benefits, but may only be recovered from the claimant or partner - they are not recoverable from the estate of a claimant who has died.

There are arrangements for the detection of fraud: data is cross-checked between the National Institute of Employment, National Institute of Social Security and regional social welfare departments. Claims for social assistance must be supported by proof of identity such as an identity card or passport.

Claimants have a right to appeal against decisions of the district authority within one month of the date of the decision.

The role of non-governmental organisations in social assistance

In an historical context, voluntary and informal networks have been of great importance and were the primary mechanism for meeting need. Charitable support

remains important in Spain. with the Catholic *Caritas Espanola* being the most significant, with over 5,000 centres. For example. in Barcelona. *Caritas* administers and monitors some of the non-contributory benefits. *Caritas* is also used to distribute assistance made available by a savings bank (*La Caixa* has a special social fund), There are indications that the voluntary and charitable sectors have grown in recent years.

In Spain there is an element of the personal income tax which is equivalent to 0.5 per cent of total personal taxation. The individual tax payer can commit these funds to either the church or voluntary organisations. The Ministry of Social Affairs decides which particular voluntary organisations receive assistance. The criteria for distribution have been a source of considerable debate (Estivill, 1994).

20.4 Expenditure on social assistance

Estimates of total expenditure on social assistance in Spain are problematic. Data supplied by the Ministry of Social Affairs suggests that in 1993 some 20.59 billion Pesetas was spent nationally on the *Ingreso IVlininto*, and a further 113.89 billion on the two non-contributory pension systems. According to Cruz Roche (1993), an additional 474.42 billion Pesetas was spent in 1992 on Unemployment Assistance. The total of 608.9 billion Pesetas was equivalent to approximately US\$5.2 billion or £3.3 billion, and represented just over one per cent of GDP. However, Cruz Roche (1993) quotes figures which are rather different from the Ministry estimates. particularly for the non-contributory pensions. The discrepancy appears to be in the definition of what constitutes social assistance in Spain. which is not always clear cut. Table 20.1 gives the Ministry estimates of expenditure by the Autonomous Communities on the *Ingreso Minima de Insercion* in 1992 and 1993, rounded to the nearest million Pesetas.

Table 20.1: Expenditure on *Ingreso linimo rle Isnercion*. 1992 and 1993, by region

| Autonomous communities | 1992 Expenditure (thousands Pesetas) | 1993 Expenditure (thousands Pesetas) |
|------------------------|--|--|
| Andalucia | 4,121 | 5,734 |
| Aragon ¹ | - | 380 |
| Asturias | 494 | 1,154 |
| Baleares ² | | |
| Canarias | 1,280 | 341 |
| Cantabria | 13 | 13 |
| Castilla-La Mancha | 132 | 284 |
| Castilla-Leon | 603 | 873 |
| Catalunya | 1,158 | 2,118 |
| C.Valenciana | 1,000 | 1,000 |
| Extremadura | 200 | 210 |
| Galicia | 102 | 541 |
| Madrid | 3,384 | 3,210 |
| Murcia | 216 | 214 |
| Navarra | 137 | 198 |
| Pais Vasco | 3,34.3 | 4,278 |
| La Rioja | 36 | 44 |
| Total | 16,219.594 | 20,589.468 |

¹ Benefit introduced in Aragon in June 1993

² Baleares does not have; a minimum benefit yet

Source: Ministry of Social Welfare, 1994

If they are correct, these figures indicate the wide range of expenditure between the different regions. This is partly related to varying population sizes, but also suggests considerable differences in levels of provision.

Table 20.2 gives Ministry estimates for expenditure on the non-contributory pensions from 1991 to 1994, in rounded millions of Pesetas.

Table 20.2_ Expenditure on non-contributory pensions, 1991-1994

| | Disability expenditure (millions Pesetas) | Retirement expenditure (millions Pesetas) |
|------|---|---|
| 1991 | 922 | 5,535 |
| 1992 | 21,032 | 38,737 |
| 1993 | 51,755 | 62,133 |
| 1994 | 67,440 | 72,945 |

Source: Ministry of Social Welfare, 1994

203 Trends in receipt of social assistance

Data on the numbers of recipients of the assistance benefits are similarly subject to some uncertainty, and Cruz Roche's estimates are well below those supplied by the Ministry on the minimum income benefit, but higher than those for the non-contributory pensions. The official estimates suggest that there were just over 140,000 recipients of the minimum income benefit nationally in 1993, an increase from the previous year of 34 per cent (Ministry of Social Affairs, 1994). Variation between the regions is enormous, with numbers in 1993 ranging from just 618 in C. Antabria to nearly 28,000 in Pais Vasco. No information is available for earlier years, or on the characteristics of the recipients.

Table 20.3 gives Ministry estimates of the numbers of beneficiaries of the non-contributory pensions between 1991 and 1994.

Table 20.3: Numbers of beneficiaries of non-contributory pensions, 1991-1994

| | Disability | Retirement |
|------|------------|------------|
| 1991 | 3,836 | 24,733 |
| 1992 | 41,256 | 87,891 |
| 1993 | 93,854 | 139,137 |
| 1994 | 130,226 | 163,424 |

Source: Ministry of Social Welfare, 1994

The table suggests a very substantial increase in receipt of these benefits over the last few years, especially for the disability benefit.

The growth in unemployment in Spain, particularly long-term and youth unemployment, has also led to increases in the numbers of people receiving Unemployment Assistance. While there has been some rise since the late 1980s in the numbers of recipients of unemployment insurance, there appears to have been a nearly eight-fold increase in receipt of Unemployment Assistance between 1982 and 1992 (Table 20.4).

Table 20.4: Numbers of recipients of unemployment benefits, 1981-1992

| Year | Number | Contributory Benefit | Assistance Benefit |
|------|-----------|-------------------------|-----------------------|
| 1981 | 765,440 | 765,440 | - |
| 1982 | 674,803 | 568,806 | 105,997 |
| 1983 | 633,537 | 519,426 | 114,111 |
| 1984 | 902,666 | 557,934 | 344,732 |
| 1985 | 1,087,570 | 585,265 | 502,305 |
| 1986 | 1,122,922 | 527,038 | 595,884 |
| 1987 | 1,112,986 | 439,414 | 673,572 |
| 1988 | 1,116,718 | 422,400 | 694,318 |
| 1989 | 1,172,900 | 426,800 | 746,000 |
| 1990 | 1,306,854 | 503,637 | 803,217 |
| 1991 | 1,427,990 | 616,159 | 811,831 |
| 1992 | 1,665,248 | 728,342 | 936,906 |

Source: *B&Fetin de Estadisticas Laborales*, quoted in Cruz Roche (1993)

20.6 Policy issues

Poverty¹

Spain shares the challenges experienced by many countries in that there are inadequate data on this subject. With the exception of a National Institute of Statistics report (INE, 1993) there have been no systematic official data on poverty. Ayala reports that there has been a reduction in poverty during the 1980s (Table 20.5)

Table 20.5: Estimates of poverty in Spain, 1980 and 1990

| | | Individuals | Households |
|----------------------|------|-------------|------------|
| Monetary income | 1980 | 18.4 | 16.2 |
| | 1990 | 15.1 | 13.0 |
| Monetary expenditure | 1980 | 19.6 | 19.7 |
| | 1990 | 17.6 | 18.6 |

Source: Ayala, 1994, p. 167

One of the major issues for Spain is the territorial inequality produced through the establishment of local minimum income schemes from 1988 onwards. Using regional poverty lines and equivalence scales, Ayala has calculated that the coverage of minimum income benefits is likely to be greatest in those regions with the highest poverty rates. But, he concludes

...this coverage is insufficient for most of the families, especially those large in size. Average benefits are about half the poverty line. This implies that it would be necessary to double the budgets in order to lift every citizen above the poverty threshold.
(Ayala, p.176)

Table 20.6 gives Ayala's estimates of the extent to which the minimum income programmes provide benefits sufficient to raise family incomes above a relative poverty line of 50 per cent of national mean equivalent expenditure. The table suggests that benefits increasingly fail to do this as family size increases.

Table 20.6: Minimum income protection in a sample of regions (benefit levels as a percentage of poverty line expenditure, by family size)

| Region | Poverty rates ¹ | Family size | | | | | |
|-------------|----------------------------|-------------|-----------|-----------|-----------|-----------|-----------|
| | | 1 person | 2 persons | 3 persons | 4 persons | 5 persons | 6 persons |
| Andalucia | 26.1 | 141.8 | 94.2 | 81.1 | 72.9 | 67.2 | 63.1 |
| Aragon | 23.6 | 118.7 | 90.8 | 80.9 | 73.3 | 61.8 | 53.5 |
| Asturias | 13.4 | 74.6 | 62.1 | 60.5 | 58.2 | 55.5 | 48.0 |
| Cantabria | 15.6 | 117.3 | 80.5 | 69.3 | 60.8 | 55.0 | 50.7 |
| Cast-Leon | 25.9 | 125.2 | 81.0 | 68.3 | 60.3 | 54.8 | 50.7 |
| Cataluna | 9.7 | 101.8 | 68.9 | 58.9 | 52.5 | 47.2 | 43.3 |
| Extremadura | 40.1 | 131.0 | 86.3 | 71.5 | 60.2 | 52.4 | 46.7 |
| Galicia | 24.5 | 88.8 | 64.7 | 57.7 | 51.7 | 47.6 | 44.6 |
| Madrid | 8.5 | 105.6 | 77.2 | 66.9 | 59.3 | 54.0 | 50.2 |
| Navarra | 7.2 | 103.6 | 70.2 | 61.4 | 55.8 | 49.1 | 42.4 |
| Rioja | 19.1 | 104.4 | 70.8 | 60.2 | 52.0 | 45.2 | 40.1 |
| Valencia | 20.1 | 123.8 | 80.1 | 65.6 | 55.8 | 48.4 | 41.8 |

¹ Regional poverty rates have been calculated with 50 per cent of the national mean equivalent expenditure as the poverty line (OECD scale)

Source: Ayala's calculations using data from Ayala *et al.* (1993), Gobi-onto Vasco (1991) and INE (1993)

Incentives

In spite of reductions since 1992 in the level of previous earnings for which unemployment benefits were paid, replacement ratios, at least for those entitled to insurance benefits, are still relatively high. Until January 1994, Unemployment Benefit was exempt from income taxes and social security contributions, so effective replacement rates could exceed 100 per cent for some categories of

worker. For those able to get extensions of the duration of Unemployment Assistance, the incentive to work may also not be particularly strong, especially if they have larger families.

Overall. Spain has very high marginal tax rates, especially for those on very low incomes. The OECD has estimated that in the early 1990s the effective marginal tax rate (E.M.T.R) for an average production worker was more than 80 per cent in Spain, compared with 60 per cent in Germany and 40 per cent in USA. The OECD concluded: 'Clearly the incentive to work is negative for very low paid jobs, and small for average-wage blue collar jobs.' (OECD, 1994g, p.76)

20.7 Recent and forthcoming changes

In 1994, conditions of entitlement to Unemployment Assistance were restricted. Previously, dependants, for the purpose of benefit payments, could include the spouse and other relevant relatives up to the second degree: now only the spouse and children under 26 count as dependants. The threshold for the family income test was reduced from 100 to 75 per cent of the minimum wage and the benefit became taxable.

There were no specific changes or proposals reported for the *Ingreso Mmnimo de Insertion*, and evaluations of its impact in the different regions are still under way.

20.5 Overall performance

The fact that the income-related retirement and disability benefit rates are set nationally and thus are uniform throughout the country could be seen as a strength of assistance arrangements in Spain. These benefits are payable for an unlimited period and are updated in line with prices.

Social assistance does also, however, have major limitations in Spain:

- ✓ Each region is autonomous as far as the minimum income benefit is concerned and this leads to substantial variations in schemes. Conditions of entitlement, duration of entitlement and levels of benefit all vary according to the region. Furthermore, the benefits are not portable between regions.
- Average benefits are estimated at about half the poverty line (Ayala, 1994). Despite this, awards of one-off payments are entirely discretionary and there is no right of appeal.
- The minimum age limit of 25 for eligibility for the *Ingreso Miniino* may exclude young unemployed people without access to Unemployment Benefit or Assistance.

Chapter 21 Sweden

21.1 Background

Demography

In January 1994 the population of Sweden was estimated at 8.75 million (Eurostat, 1994a). After Luxembourg and Iceland it had the largest relative estimated population increase in the European Economic Area in 1993, around half of which was due to immigration. However, Sweden also had a relatively high fertility rate of 2.0 in 1993, surpassed in the EEA only by Ireland and Iceland. Projections suggest a population increase of nine per cent by 2020, to 9.4 million. In 1991, 18 per cent of the population were under 15 years of age; 64 per cent were between 15 and 64 years; and the remaining 18 per cent were 65 and above (Eurostat, 1993). The proportion of the population aged 65 and above is set to increase until 2025, while the number of young people will fall slightly (Nososco, 1993).

Sweden has the lowest marriage rate in the EEA (3.9 per 1,000 average population in 1993) and also a relatively high divorce rate. Just under half of all births in 1993 were outside marriage, though many of these were to cohabiting couples. In 1990, 19 per cent of all families with children were *headed* by a lone parent, 16 per cent of whom were men.

Employment and the economy

The Swedish economy has traditionally been based on full employment and a high level of labour force participation, backed up by high levels of social spending on services and welfare benefits. Economic problems in recent years have placed some strain on the 'social democratic consensus' which maintained the Swedish approach, and unemployment has risen since 1987, when it stood at 1.9 per cent of the labour force, to 8.3 per cent in 1992 (OECD, 1993k, 1994a). The overall labour force participation rate in 1992 nevertheless still stood at an estimated 80.7 per cent -- the highest in the OECD. For men it was 82.7 per cent and for women 78.7 per cent (OECD, 1993c). The proportion of women working is one of the highest in the OECD. As part of the overall increase in the number of people *out* of work, Sweden is facing a growing problem of youth unemployment. In 1992, the rate for young people was three times the overall average, at 18.4 per cent - higher than the average for the OECD as a whole (OECD, 1994a). Long-term unemployment, however, has so far remained relatively low.

The political framework

The Swedish approach to social security and employment has been maintained without major change until recently, in spite of governments of different political complexions, through a tripartite structure of negotiation and consensus between government, employers' organisations and the trade unions. Adaption to the new global economy, and the requirements for entry into the European Union, have led to a weakening of this consensus and political approaches to welfare are more polarised than in the past. Until September 1994, there was a coalition government led by Conservatives, but at the election the Social Democratic Party was returned to power. Sweden became a member of the EU in 1995.

21.2 The social security system

Although Sweden is now considered to have one of the world's most developed and comprehensive welfare states and is the archetype of the so-called 'Scandinavian model' of welfare, it was relatively late in developing social insurance schemes and much of its social assistance is still rooted in earlier forms of poor relief. The first Poor Law dates back to 1763, though poorhouses existed during the 17th century in one form or another (Gustafsson, 1993). The 1957 Social Assistance Act renamed poverty relief as Social Assistance, though it remained a localised and subsidiary system, partly because of the much greater importance accorded to the development of insurance-based and universal non-contributory benefits.

A general pension scheme was introduced in 1913, which played an important part in the development of the welfare state model in Sweden. This has since developed into a universal, non-contributory Citizens' Pension, with an earnings-related second layer, which has meant that few older people have to claim social assistance. Child Benefit was introduced after the Second World War and Sickness Benefit was established in the 1950s. Maternity Benefits were not fully developed until the 1970s, but they have now been extended into a broader system of parental insurance and employment rights. Unemployment Benefit is earnings-related.

The Ministry of Health and Social Affairs is responsible for all social security and health policy in Sweden. Administrative supervision of social insurance schemes is carried out by the National Social Security Office, while the municipal social services, who deliver social assistance and other services such as day care and care of the elderly, are supervised by the county authorities and the National Board of Health and Welfare. Social insurance programmes for pensions, sickness and unemployment are administered locally by branches of the insurance funds. Health services are the administrative responsibility of the regional authorities.

In 1990, 52 per cent of all social security expenditure was financed by public authorities (33 per cent local authorities and 19 per cent from central government). A further 45 per cent of expenditure was financed by employers' contributions, with just three per cent coming from insured persons themselves. Social welfare expenditure (including health), as a proportion of GDP, has increased from 31.7 per cent in 1978 to 34.8 per cent in 1990 (Nososco, 1993). OECD estimates (1994d), put Swedish social protection expenditure as the highest in the OECD and over half as high again as the average.

21.3 Social assistance

A cash social assistance benefit translatable as Social Welfare Allowance is available to all individuals whose resources are such that they cannot maintain a reasonable standard of living. It exists as a legal entitlement, to be met by the individual's local municipality. Services are also available as part of the general social assistance framework in non-cash *form*, and it is largely up to the municipality to determine how best an individual's needs should be met.

Legislation and policy objectives

Social assistance is currently governed by the 1982 Social Services Law, which gives individuals the right to help from the local Social Welfare Board. The Board must guarantee applicants a reasonable standard of living if their need cannot be met in another way, but help should be designed to enhance the recipient's opportunity to live an independent life.

Social assistance in Sweden still plays only a minor and residual role within the wider social security system and in 1991 only 0.4 per cent of GDP was spent on it. As a proportion of social security expenditure, it made up 6.7 per cent in 1992 (Nososco, 1995).

Administrative and regulatory framework

The Social Services Law specifies the general right to support, but the scheme is administered at a local level. Decisions on the conditions of entitlement and the amount of assistance to be paid are left to the discretion of municipalities, within guidelines issued by the National Board of Health and Welfare. Although this advice has considerable significance, the responsibility for the interpretation and delivery of benefits remains with the municipality.

General conditions of entitlement

Entitlement is based on the obligation to exhaust all other means of support including actively seeking employment in most cases.

Children have the right in law to apply for assistance independently from the age of 16, but parents are responsible for the maintenance of their children until they reach the age of 18. Before then, aid provided against the will of the parents can only be granted under very special circumstances.

Residence and nationality

Entitlement is based on legal residence in Sweden, but there is no qualifying period. Citizens of the other Nordic countries do not need work or residence permits and so are entitled to help if necessary. In the case of citizens from the European Union, the EU rules apply. People from other countries need work and residence permits to live legally in Sweden and these are normally granted only to close relatives, visiting students and adoptive children. The number of people granted residence permits in Sweden for employment purposes was only 159 in 1993.

Social assistance payments are not portable to other countries.

Duration of benefit entitlement

Social assistance is payable as long as there is a need and the conditions of entitlement continue to be met.

Availability for work and labour market policy

There is a strong presumption in Sweden that people out of work and relying on benefits will attempt to re-enter the labour market as soon as possible. This is particularly true for social assistance recipients. Recipients must seek, and be prepared to take, such work as is available, even if a claimant is overqualified for the job in question. Work-seeking activity must normally be demonstrated through frequent and regular contact with the employment office. The requirement to seek work only ceases when pension age is reached (65 years), or if a documented impediment to work exists. The severity of the work test varies in practice between municipalities: rules in the city of Uppsala, for example, involve very strict work tests and have won some support.

The obligation to seek work applies also to lone parents. Child care must be arranged before they can be considered eligible for work and thus for social assistance. Since 1993 municipalities have been obliged to provide day care for children over 18 months old, and at present the demand for child care is generally met in Sweden. Interestingly, the employment rate amongst lone mothers is higher than the rate amongst married women in Sweden.

Parents' Allowance enables lone parents to be at home on 80 per cent of salary for 360 days following the birth of their child. In addition, they are entitled to a further 90 days at a rate of 90 Swedish Krona (SEK) per day (approximately US\$10 or £3). During these 450 days of parental leave, it is not necessary to be available for employment and it is only after this time that there is a requirement to be available for work. When lone parents are living on Social Welfare

Allowance the local authority must either waive the charge for child care or take it into account when calculating the allowance.

There are no special arrangements or requirements for social or economic integration to be linked *to the* receipt of social assistance, such as through 'insertion contracts'. However, some municipalities offer claimants public relief work and others organise training for job-seeking. Many have social workers who are specially assigned to such activities. Sometimes claimants can receive small sums of extra money for engaging in voluntary community service (one example given involved painting park benches).

The Supreme Administrative Court has ruled that no one may be denied the right to receive social assistance solely because they do not accept rehabilitative work offered to them by social workers. The Court also established that a person cannot be refused social assistance solely because of failing to complete rehabilitation or treatment. Assistance can be refused or terminated, however, if applicants do not make themselves available for work.

There has been very little systematic research into policies specifically designed to get people off social assistance benefits, although a new unit of the National Board of Social Welfare now works on such issues. Generally, though, active labour market programmes are regarded as having been successful in Sweden (Korpi, 1994).

People are allowed to work while receiving social assistance, though full-time work is likely to disqualify them because of their income level. Social assistance is generally a complementary 'top-up' to other incomes. In principle, however, people working in self-employment would not be able to receive social assistance. If they cannot support themselves through their enterprise, they are obliged to look for employed work instead. They can then become entitled to social assistance if necessary.

The benefit unit

The unit of entitlement is identical to the unit for resource assessment in Sweden. It is based on the individual or the nuclear family. Either partner in a couple can claim assistance for the family and benefit is then normally paid to that person_ but the family can also nominate the person to whom the benefit should be paid.

Natural children, stepchildren, foster children and adopted children can all be included in the social assistance claim. Grandchildren are only included if the grandparent has custody.

Parents are responsible for the maintenance of their children up to the age of 18. If the children are studying at sixth form level at the age of eighteen, the parents are responsible for their maintenance until they have finished their studies and at the latest until the children reach the age of twenty-one. Until this time, children are normally included as part of the parent's benefit unit. Children over the age of eighteen who have finished secondary school are considered as separate households for benefit purposes. Other non-dependant adults, whether related or not, living in the household, are able to claim social assistance benefits separately.

Two unmarried persons who cohabit under conditions similar to a marriage are in most cases counted as a couple, if they have been living together for at least six months, though in Stockholm this rule appears not to apply: instead they are apparently counted as cohabiting as soon as they move in together. They are also counted as a couple if they have a child together or are expecting one.

A lone parent is treated as part of a cohabiting couple for benefit purposes if she or he lives permanently with a partner, but it is not clear how much scrutiny actually takes place of lone parents' living arrangements.

Inhume and assets tests

Sweden has perhaps the most comprehensive means test of any country in the study: in principle all forms of household income are taken into account when calculating social assistance. All earnings of the adults are counted in full, net of tax but not taking into account any private pension contributions. There are no earnings disregards and no special groups whose earnings are treated any differently. Children are not responsible for supporting their parents, but their earnings can reduce social assistance up to the level of the appropriate child rate. Small gifts made to children can, however, be disregarded. All other social security benefits are counted in full, as are all other forms of income, including winnings from gambling.

if an earner is living apart from the family in another town because of his or her work, this income is still taken into account in assessing the level of benefit for the family. Spouses are responsible for the maintenance of their partners before they have the right to claim social assistance and, as such, their income and resources will be taken into account.

Cash savings and easily realisable assets must be used before social assistance becomes payable. Indeed, to obtain temporary social welfare assistance all assets must have been exhausted. If the social welfare board wishes to refuse to provide financial aid because an applicant has a dwelling which represents some financial value, clients must realistically be able to find somewhere else to live. Furthermore, they must be given a reasonable time, usually three to six months, to dispose of the dwelling. If there is a need to claim social assistance for more than a short duration, an individual's motor vehicle must be disposed of, as this also constitutes a financial asset. However, it is possible to have and keep a vehicle to travel to and from work if there is no adequate public transport in rural areas, for example.

All assessable income is deducted from the standard benefit payable at 100 per cent.

Benefit levels

In 1985, the National Board of Health and Welfare introduced a monetary social assistance standard based on items which are included in the household budget drawn up by the National Board for Consumer Policies. On 2 April 1992, the Supreme Administrative court laid down that this standard should form the basis for assessing what a reasonable living standard should be for social assistance, unless special circumstances suggest otherwise. The standard is uprated by the National Board of Health and Welfare on 1 January each year in step with price inflation. Social assistance is not automatically indexed solely to prices, however: it also takes account of; and is adjusted to, changing consumer patterns, as reported in family expenditure surveys. The base level which is used to uprate assistance is not the same as the more generous index used for social insurance benefits.

If a municipal authority applies a rate which falls short of the Board's standard and claimants appeal, they apparently tend usually to win. However, in the summer of 1994 the Supreme Administrative Court decided that a municipality can exclude certain elements (such as the cost of electricity or telephones) from the standard recommended by the National Board of Health and Welfare, provided the municipality meets those costs once bills arrive. The Government has appointed a commission of inquiry into the social services, which has proposed that a national social assistance standard should be defined by law.

Table 21.1 shows the national standard scale rates for 1992/3, but it should be remembered that actual rates may be different in different areas. The rates do not include housing costs. Rent is generally added to the amounts below (see 21.4) and then any income is deducted.

Table X1.1: Standard recommended monthly rates for social assistance. 1992 and 1993, in Swedish Krona (with equivalent values in US\$ and £ adjusted by purchasing power parities)

| | SEK | 1992 \$ | £ | SEK | 1993 \$ | 1993 |
|-----------------|-------|------------|-----|-------|------------|------|
| Single person | 3 238 | 326 | 205 | 3.326 | 332 | 209 |
| Couple | 5,392 | 539 | 339 | 5.305 | 551 | 346 |
| Child 0-3 years | 1.573 | 157 | 99 | 1.606 | 161 | 101 |
| 4-10 years | 1.853 | 193 | 117 | 1.892 | 189 | 119 |
| 11-20 years | 2.134 | 213 | 131 | 2.180 | 218 | 137 |

Source: National Board of wealth and welfare, 1994a

Variations can take place from the above amounts in two ways. First, social workers have the discretion to take individual circumstances into account when deciding the amount of social assistance that is payable. This amount may vary between municipalities and may also be dependent on what the money will be spent on. Central guidance suggests that additional support can be given if it strengthens an individual's capacity to take responsibility for their own living conditions, and some municipalities issue additional practical guidance to social workers.

Secondly, as the national standards are only a guideline, municipalities vary in what they actually pay. Aguilar and Gustafsson (1990a) examined the differing levels of assistance paid by municipalities to determine their effects on participation rates. They found that local political decisions on threshold levels were affected more by the general financial situation than the burden of social assistance on the particular municipality. The political composition of local councils also affected assistance levels: rates tended to be higher when there were more Socialist members involved in the decision-making process (Gustafsson, 1993, p.11). Another national survey of assistance payments also found that 42 per cent of claims were paid at a higher rate than the thresholds set by local politicians (Socialdepartementet, 1987).

The results of surveys carried out in Stockholm (1990), Göteborg and Malmö (1989) (both studies reported in Gustafsson *et al.*, 1993), which presented welfare officials with hypothetical clients with the same circumstances and problems, showed that there were variations in the levels of assistance that were granted both within and between the cities. For example, a Malmö client was awarded a 25 per cent higher rate than the exact same client in Göteborg. The three municipalities included in the study accounted for 22 per cent of all recipients and 30 per cent of all payments. As the complexity of the cases increased, so the variation in assistance decisions increased also.

The standard rate is meant to cover the cost of food, clothing and shoes, sport and leisure, consumable goods, furniture, household utensils, newspapers, telephone rental and television licence fees, household electricity and home insurance costs, along with smaller medical treatments and dental care. Recipients of social assistance must pay tax on earned income although social assistance itself is not taxable.

Before 1993, contributions towards social insurance benefits, pensions and medical costs were all paid by means of tax and consequently no social assistance was granted for these purposes. Since January 1993, a small employees' contribution has been levied and from 1994 contributions for unemployment and sickness insurance have been payable. For unemployment insurance, contributions are 1.5 per cent of earnings and for sickness insurance they are 0.95 per cent of earnings. These contributions are collected by the tax authorities. Social assistance recipients do not pay earnings-related social security contributions unless they have some earnings. They are not credited with or exempted from such contributions and are thus not insured. One exception concerns the continuation of trade union membership. Social assistance recipients can claim the costs of union membership fees, where contributions to the unemployment insurance funds are included. This might lead to the recipient becoming eligible for Unemployment Benefit.

Municipal authorities are ultimately responsible in law for people in their area and they must ensure that all residents receive the support and the help that they need. This means that authorities must not let anyone starve, freeze or be without a roof over their head, irrespective of the reason. There are, however, no ring-fenced funds for this purpose.

The 'gross' rate of social assistance is supposed to allow claimants to purchase ordinary items for a decent standard of living, including items such as televisions (the cost of refrigerators and cookers is usually included in apartment rents). There are also typical one-off needs for which extra assistance is paid, such as funeral costs, dental and eye care, or other treatment. Large one-off payments are usually determined by the local political board of the social welfare office. The costs of loan repayments are not covered by one-off payments. In some cases, it can be a condition that claimants take part in debt counselling; many municipalities have special social work units which carry out household budgeting advice.

Non-governmental organisations may also act to cover the costs of one-off needs that the municipality does not cover. They usually recommend that the claimant tries to utilise public funds before they turn to private sources.

One-off payments do not figure largely in public debate. There are, however, recurrent newspaper stories about extravagant expenditure on special items, such as furniture provided for immigrants on social assistance, for example, although the truth of these claims is hard to determine.

Fringe benefits and other concessions

Receipt of social assistance entitles claimants to reimbursement of prescription costs, glasses where the need is verified, and dental costs, provided that the regional social insurance office approves the treatment. Schooling is free in Sweden and there are no school uniforms to provide for. In order to enable journeys to be made to and from work and to look for work, the cost of local travel can be added to the assistance rate as a supplementary amount.

Administration and the claiming process

An application for social assistance can be made through the post, although normally it is made by personal visit to the social welfare office. If the person is claiming social assistance is not already known, their identity must be confirmed by means of an identity card or passport. A home visit is normally only made if someone requests it or if there are special reasons. In order to claim social assistance, it is necessary to have an address although it is not necessary to live there. Temporary assistance is available to meet immediate needs such as homelessness.

Claims for social assistance are normally made in writing once a month and benefit is also paid monthly, normally by money order or directly into a bank account. It is possible to have more frequent payments made if there is proof of some difficulty in handling money and budgeting. In these circumstances social assistance can also be paid directly to the landlord or energy authority, but deductions and direct payments are not usually made in other circumstances.

All changes which affect the level of income must be reported, such as changes in the cost of accommodation, changes in income or the number of hours worked, and any changes with respect to assets.

Normally, there is no obligation to repay any social assistance received. If there is a small overpayment which was received in good faith, no action is taken to recover it. Social assistance can only be reclaimed if it has been paid out as an advance against some other benefit or if it has been paid to someone who is

involved in a labour dispute. In such cases_ the social welfare board must be certain that the repayment does not leave individuals unable to provide for themselves in their daily way of life. Social assistance payments cannot be recovered from any person other than the one for whom the benefit was intended.

If any incorrect information is reported and too much money is paid out, the social welfare board reports the matter to the police if fraud is suspected. In order to control fraud the social welfare board has the right to obtain information from the regional social insurance office or unemployment benefit fund about the dates and payments of other benefits. The motor vehicle register is also often inspected, as a car is normally regarded as a financial asset which must be disposed of if social assistance is to be claimed for anything other than a short period of time. A large number of municipal authorities have access to this information through an automatic data processing system. Checks can also be made with the national registration office regarding names registered at particular addresses. In addition, checks are made regularly with the employment office if the applicant is unemployed. Thus fraud may be detected by a social worker in the process of benefit assessment or through a number of special checks.

There is little debate on fraud. Debate more often focuses on other issues such as the level of dependency on social assistance among immigrants, especially refugees, and individuals who are able to get benefits even though, in the public's mind, they do not *deserve* them. These debates have had little impact on actual policies or legislation, however, although there have been some individual cases which have led to changes in local practices.

If applications for assistance are refused, the social welfare board is obliged to notify claimants of its decision. An appeal can be lodged with the county administrative court if it is submitted within three weeks of the applicant receiving notification of the decision. The decision of the county administrative court can in turn be challenged, by both the individual and the social welfare board, at the administrative court of appeal. The Supreme Administrative Court, which is the final means of appeal and sets legal precedent, only handles an appeal if leave is given for it to be used as a test case.

Although there is no official poverty line in Sweden, the National Board of Social Welfare determines the norm below which the municipalities are supposed to pay assistance benefits. Claimants may take municipalities to court and get a court decision obliging them to pay the necessary level of benefit. If the municipality continues to refuse to pay such benefits, claimants can ask a bailiff to approach the municipality to make them pay (though this has only happened once).

The county administrative board and the National Board of Health and Welfare have the primary responsibility for supervising ^g the social services. Complaints may be made against the social services to the Parliamentary Commissioner for the Judiciary and Civil Administration (or Ombudsman).

As the number of assistance recipients has increased, the waiting period for benefits has also become longer. However, there is little discussion of this, and no national statistics have been collated. Variation between municipalities is likely to be large and there is evidence that some people face difficulties whilst waiting for more than one month to have their needs assessed (although it is possible to provide urgent support to needy households to cover the costs of food and housing). Although standardised performance indicators are not published, the county authorities in Stockholm have recommended that no-one should have to wait for more than two weeks for a personal assessment interview.

The role of non-governmental organisations in social assistance

It is only the social welfare board, or a corresponding municipal board, which has the legal authority to grant social assistance. This responsibility cannot therefore be

delegated either to voluntary or private organisations. Church-based organisations such as the *Stadsmissioner*, act to complement ordinary social assistance providing support in special circumstances, and also by helping people who not usually turn to public authorities. These organisations receive most of their funding from the government. A number of other charitable and religious organisations are involved in philanthropic activities, but their role in this respect is negligible.

There is no poverty lobby in Sweden as such. This does not mean, however, that there are no interest groups connected to the issue of poverty. Rather, there are groups that do exist but have very different characteristics. An example of grassroots mobilisation has been found in a southern municipality (Lerum) where an interest group has been formed for social assistance recipients: this is only one of the many groups of recipients which have been established during the 1980s.

Networks of academics and other professionals have also been formed in response to the wider welfare state cut-backs: one of these groups has started a journal called *Social Policy*. There are signs that other networks, like the so-called Re-associations (lobbies for vulnerable deviant groups) are also mobilising against welfare state retrenchments and on general social assistance issues. The only formal organisation in Sweden that brings together professionals and policy makers in this area is the *Centralförbundet för social arbete* (Central Association for Social Work or CSA) which was formed earlier this century.

It may also be argued that charity organisations, such as the *Stadsmissioner*, are part of a poverty lobby in the sense that they have funded campaigns to raise money for the poor. It is difficult to assess whether these organisations play an important role in influencing the political and policy agendas in Sweden, which perhaps indicates that they do not (Palme, 1994).

2.1.4 Housing assistance

Housing assistance can come in three forms in Sweden. First, people on social assistance can have all their housing costs added to the social assistance payment, as long as the costs are reasonable. Any deficit, after allowing for other income, becomes the amount of benefit paid. Social assistance payments for housing costs are not dependent on the form of housing: both rented and owner-occupied housing is eligible for subsidy up to a maximum acceptable level. Capital repayments are not met, but interest payments are covered.

Secondly, there is a general Housing Benefit system, administered not by municipality but by the regional social insurance office. This is available to individual or family legally resident and registered in Sweden. The level depends on the composition of the household, estimated income over the 12 month period, and the cost of the accommodation. The allowance is paid one month into recipients' bank accounts. Benefit is counted as income when calculating social assistance. Consequently, it is quite possible, and common, for a family to receive a housing allowance but not social assistance. However, the rent allowance only reduces the social assistance paid in respect of housing costs, which are not included in the standard rates.

For pensioners there is also an income-tested municipal housing benefit (KBT). The size of the benefit varies between municipalities, it is restricted to those with low or no supplementary earnings-related pension (ATF). In 1992 another housing benefit was introduced (SKBT - state-municipal) to even out some of the larger differences between the municipalities and to compensate for the effects of a 1991 tax reform on the incomes of poorer older people.

In 1994 there were some 524,000 households receiving the general Housing Benefit, of whom just over three quarters were families with children (Palme, 1994). The numbers have been growing steadily since 1986. This does not include some social

assistance claimants who would be receiving rent assistance with their benefit. In 1992 there were 549.000 older people receiving the pensioners' housing supplement.

21.5 Trends in expenditure on social assistance

Social assistance is financed by municipalities, largely through locally-raised income taxes, at a current rate of around 30 per cent of taxable income. Central government collects income taxes only from people with above-average earnings. Municipalities receive block grants from the state for social assistance, although these grants do not necessarily cover all costs. The municipal authorities also receive extra funds from the state to compensate for the costs of provision for refugees. These funds from the state to the municipalities are supposed to cover introduction costs during the first three years of a refugee's residence in Sweden. Municipalities have to cover all the costs of the provisions for refugees for as long as they need special support. Since 1993, municipalities have been able either to offer special payments to refugees to encourage them to become self-supporting by drawing up 'Introduction plans', or to pay the normal social assistance rates (Saalonen, 1993).

In 1993, 0.6 per cent of GDP was spent on social assistance and other related benefits in kind. In 1992 social assistance expenditure represented 6.8 per cent of total social security expenditure (Nososco, 1995). Table 21.2 shows the trends in expenditure on social assistance cash payments since 1980 in annual prices and as a percentage of GDP.

Table 21.2: Trends in expenditure on social assistance, 1980-1993

| | Social assistance payments, SEK millions | Social assistance as a percentage of GDP |
|------|--|--|
| 1980 | 942 | 0.18 |
| 1981 | 1,180 | 0.20 |
| 1982 | 1,765 | 0.28 |
| 1983 | 2,276 | 0.32 |
| 1984 | 2,765 | 0.35 |
| 1985 | 3,345 | 0.39 |
| 1986 | 3,969 | 0.42 |
| 1987 | 4,134 | 0.40 |
| 1988 | 4,168 | 0.37 |
| 1989 | 4,322 | 0.35 |
| 1990 | 4,721 | 0.35 |
| 1991 | 5,641 | 0.39 |
| 1992 | 7,012 | 0.49 |
| 1993 | 8,829 | 11.61 |

Source: National Board of Health and 1994a

No specific data are available on expenditure for special assistance schemes, such as one-off payments. Data are also unavailable on the specific administrative costs of social assistance. However, the administrative costs of social security as a whole accounted for 2.5 per cent of total expenditure in Sweden in 1990 (Nososco, 1993).

The table shows that while social assistance is still a relatively minor expenditure, the costs have been growing steadily since 1980. Most local municipalities are facing serious financial constraints at present. The recession, increasing numbers of claims for social assistance and a tax freeze introduced several years ago by the Social Democratic Government, have put increasing pressure on all kinds of local expenditure. However, assistance benefits are one of the most difficult areas on which to cut spending. As a result, other areas are more likely to be subject to reductions, such as preventative social work and job placements.

One way in which municipalities are able to transfer the costs of social assistance is to place claimants in local or nationally-funded public relief schemes, which are numerous. These schemes may be run by the municipality or the National Labour Market Board and may entail road-building and larger-scale works, as well as

fence-painting or other small tasks. Following a six month period of such work claimants can re-qualify for Unemployment Benefit for 300 days. If they go back to public relief work on their 2nd day of Unemployment Benefit and work for a further six months, they can re-qualify again thus shifting the cost of benefits on to social insurance.

21.6 Trends in receipt of social assistance

Table 21.3 shows the trend in the numbers of individual social assistance recipients and the percentage they represent of the population, along with further information on expenditure. It also shows average duration of benefit receipt for each year.

Table 21.3: Social assistance recipients and expenditure, 1980-9

| Year | Number | per cent of population | Average duration in months | Annual prices | 1980 prices |
|------|---------|------------------------|----------------------------|---------------|-------------|
| 1980 | 343,329 | 4.1 | 3.7 | 942.3 | 942.3 |
| 1981 | 351,780 | 4.2 | 3.8 | 1,180.0 | 1,053.6 |
| 1982 | 433,578 | 5.2 | 4.0 | 1,764.6 | 1,573.1 |
| 1983 | 474,657 | 5.7 | 4.2 | 2,276.4 | 1,716.7 |
| 1984 | 524,191 | 6.3 | 4.2 | 2,756.9 | 1,925.2 |
| 1985 | 535,551 | 6.4 | 4.2 | 3,345.0 | 2,174.9 |
| 1986 | 564,994 | 6.8 | 4.3 | 3,968.8 | 2,475.9 |
| 1987 | 539,544 | 6.4 | 4.2 | 4,133.7 | 2,475.3 |
| 1988 | 524,217 | 6.2 | 4.1 | 4,167.8 | 2,358.7 |
| 1989 | 505,129 | 5.9 | 4.2 | 4,322.1 | 2,297.8 |
| 1990 | 515,285 | 6.0 | 4.1 | 4,720.6 | 2,273.9 |
| 1991 | 537,653 | 6.2 | 4.2 | 5,641.5 | 2,483.1 |
| 1992 | 589,371 | 6.7 | 4.4 | 7,012.4 | 3,018.7 |
| 1993 | 671,303 | 7.6 | 4.6 | 8,712.3 | 3,582.4 |
| 1994 | 715,212 | 8.1 | 5.0 | 10,284.7 | 4,138.7 |

Sources: National Board of Health and Welfare. 1994a, 1995

The table shows that the number of claimants increased by 42 per cent between 1989 and 1994, and expenditure increased by 80 per cent in real terms. Although the average length of spells on benefit has been growing, it is still relatively low. In spite of the overall increase in numbers, social assistance in Sweden appears still to be performing its primary-intended role as a temporary source of help.

Table 21.4 gives a breakdown of recipient households by family type and gender.

Table 21.4: Number of recipient households by type of family. 1979-1994

| | 1979 | 1980 | 1984 | 1991 | 1994 |
|--|---------|---------|---------|---------|---------|
| Recipient households | 197,882 | 176,366 | 281,412 | 297,488 | 370,454 |
| Single men without children | 79,347 | 69,342 | 110,082 | 115,083 | 144,835 |
| Single men with children | 2,471 | 2,527 | 4,473 | 6,913 | 7,073 |
| Single women without children | 36,141 | 31,512 | 59,923 | 68,930 | 83,204 |
| Single women with children | 19,944 | 11,413 | 16,447 | 17,162 | 56,740 |
| Couples with children | 33,646 | 31,016 | 42,039 | 39,688 | 57,655 |
| Couples without children | 26,333 | 30,556 | 48,448 | 49,715 | 213,947 |
| Persons in receipt of social assistance | 373,079 | 343,329 | 624,191 | 537,653 | 715,212 |
| Persons in receipt of assistance as percentage of population | 4.5 | 4.1 | 6.2 | 6.2 | |
| Adults | 245,152 | 220,795 | 339,898 | 358,353 | 476,274 |
| Men | 129,408 | 114,208 | 173,041 | 181,595 | 241,200 |
| Women | 115,744 | 106,497 | 188,857 | 176,605 | 235,811 |
| Children | 127,927 | 122,534 | 173,903 | 179,300 | 238,370 |

Sources: Statistical Abstract for Sweden. 1992, Table 348
National Board of Health and welfare. 1995

The total number of households who received assistance or introductory aid for refugees at some point in 1994 was 391,800. This represented approximately 10.5 per cent of all households (aged 18-64 years) in the population (National Board of Health and Welfare, 1995) and was a five per cent increase on the previous year. The total number of recipients was just over 715,000, of whom one-third were children under 18. This means that in 1994 approximately seven per cent of all adults in Sweden and 12 per cent of all children received assistance at some point. Almost ninety per cent of all refugees who arrived in Sweden between 1991 and 1994 received assistance in 1994.

The majority (63 per cent) of recipients were single men or women with no children. A further 14 per cent were lone mothers: these households on assistance made up over a third of all lone mothers in the population. The proportion of people over retirement age receiving assistance, on the other hand, is low and declining. In 1991 seven per cent of recipients were people over the age of 65, in spite of the minimum pension provision. By 1994 this had fallen to two per cent. Individuals receiving assistance are to a large extent young people. In 1994, 27 per cent of households had a registered 'key person' (roughly equivalent to head of household) aged between 18 and 24, and a further 1.7 per cent were aged 25-29. Only 25 per cent were aged 40 or over. For these age groups, growing unemployment and, to a lesser extent, the growth of lone parenthood, are key factors explaining the increase in receipt of social assistance. There is no breakdown available of the proportion of people receiving social assistance who also receive a social insurance benefit, although this figure is thought to be relatively high, in spite of the earnings-related nature of other benefits.

The proportion of the Swedish population in receipt of assistance remained between five and eight per cent between 1945 and the late 1980s, even though the standard of living increased, income inequality was reduced and social insurance benefits were expanded (Aberg, 1987). However, secular trends within the population are such that those groups of people with a greater propensity to require income supplements have grown as a proportion of the population. Tham (1993) has suggested that 'marginality, in economic and other terms, is a growing phenomenon in Sweden' (p.165). This applies particularly to foreign citizens. Thirty per cent of recipient households in 1994 had at least one adult who was a foreign citizen, and of these approximately 40 per cent were refugee households. The number of refugee households receiving assistance increased by 48 per cent between 1993 and 1994, while that of Swedish citizens dropped by almost two per cent. Because foreign recipients tend to have larger families and remain longer on assistance, they receive a considerably larger proportion of all expenditure around half in 1994.

Take-up

There are no official estimates of take-up of social assistance, though it has been estimated that in the early 1990s nine to 12 per cent of households had incomes below the assistance standards, while only six per cent claimed benefit (National Board of Health and Welfare, 1994b). This may reflect a take-up problem, but it may also indicate that some families can draw on less visible economic resources. This is thought to be the case particularly with some self-employed people and grown up children of more wealthy parents. There are also difficulties with the time period over which incomes are measured.

Take-up is not an issue which provokes much debate as such, although there is a critique of the complexity of the social security system. The only take-up campaigns, however, have concerned housing allowances and the right of fathers to claim parental benefits. If anything, there is a push to decrease the numbers of social assistance recipients and increasing take-up is therefore not seen as a priority (Palme, 1994).

Poverty and exclusion

The issue of poverty and exclusion has been seen as a growing problem with the increased levels of unemployment experienced during the 1990s. Although poverty has been identified as a political issue since the 1960s and researched intensively, the European experience of high unemployment has acted as the catalyst for a new debate in Sweden. However, it is believed that mass unemployment is too recent a phenomenon for exclusion to be either a reality or a political controversy, although these issues may have to be addressed in the near future.

Most of the research carried out has been concerned more specifically with the issue of inequality, rather than poverty as such. Emphasis has thus been placed on research into wage policies and active labour market policies. Hallerod (1994) has, however, recently estimated a Consensual Poverty Line (CPL) in Sweden to determine the level of poverty that exists. He found that when the poverty line was set to what the general public felt was the minimum income level, more than 20 per cent of Swedish households and 17 per cent of individuals fell below the poverty line. Single people and lone parents were much more likely to fall below this line than couples with or without children. Hallerod estimated that on this basis almost 15 per cent of children in Sweden lived in poverty. The CPL results show a significantly higher incidence of poverty in Sweden than that which comes from using the 'Norm for Social Assistance' poverty line, recommended by the Consumer Council.

Jansson (1992), on the other hand, has argued that research into poverty rates in Sweden (and elsewhere) should take financial assets into account and also that poverty studies should be carried out over a longer period of time (at least two years). His results have shown that poverty rates decrease substantially when assets are included. For example, one estimate of the Swedish poverty rate falls from 8.5 per cent to 4.4 per cent when assets are counted, and looked at over a two year period the rate falls from 1.7 per cent to 1.2 per cent when using a standard of 50 per cent of median household income.

Research on social assistance recipients shows, as noted above, that many people only receive assistance benefits for a short period of time, usually in the transition from education to work: because of divorce (although maintenance is taken fully into account); or before qualifying for social insurance benefits. Many recipients do not have particularly low incomes over a longer time period. There is, on the whole, very little overlap between different definitions of poor people (Hallerod, 1991). However, it is evident that newly arrived immigrants, mainly refugees, have particular difficulties and they make up the largest group of long-term assistance recipients. Not only has the number of refugees been high over the last few years but the economic recession has been unusually deep and unemployment has risen dramatically. As many immigrant families have several children, and thus receive substantial family benefits, their economic status may not be dramatically different from that of other people, but they run the risk of not being considered full citizens because they are not able to contribute to the economic welfare of society.

Stigma

It would be misleading to say that there is an explicit distinction between the 'deserving' and 'undeserving' poor in Sweden, yet the fact that municipalities can require claimants actively to seek work and to accept any offer of suitable employment or public relief work, indicates that there is an implicit distinction between the able-bodied poor, who can be denied assistance, and the more deserving poor. There have been court decisions, for example, that have been interpreted in such a way that drug addicts have been entitled to claim assistance for food even though they have refused work whilst 'ordinary' people have not.

The discretion afforded to municipalities and individual workers in the application of the law could be seen as potentially deterring people from claiming benefit. More importantly, it is widely believed amongst the Swedish population that social assistance is still the 'poor law', to which working people would never have to turn (unless it is through no fault of their own) (Palme, 1994).

defruc-

Generally, there is not enough information on the actual rates of social assistance to allow an assessment of whether or not benefits are 'equated'. There is no national minimum wage in Sweden, but the lowest earnings are, nevertheless, comparatively high, as trade unions have continued for decades to pursue an egalitarian wage policy based on principles of social solidarity/. This has had far-reaching consequences. Since virtually the whole labour market is unionised in Sweden. For a single householder with average housing costs, the social assistance norm would not exceed the full-time wage of the lowest-paid worker.

Equivalence scales

However, the implicit equivalence scale within social assistance has recently been questioned. As in most other countries, families with children receive substantially higher benefit than single people and childless couples (and they are also likely to have higher housing costs covered by social assistance). It has been calculated that a family with three children would need gross annual earnings of above SEK 340,100 (around £18,900 in purchasing power parities) for their net incomes to exceed social assistance levels, and that many such families neither reach that level nor claim benefits. Stockholm decided in 1994 to lower the benefit allocation for the fourth child. The question of equivalence scales has also been a subject for discussion by a Parliamentary Commission on Social Assistance. However, the debate in Sweden is more focused on the equity problem. This refers to the situation whereby people who do not work (although they may be actively looking for work) receive more financial assistance than those who work full-time but receive less income.

Incentives and Disincentives

The 1992 tax reform was generally seen as a success when it came to reducing the marginal effects of income taxes, but the effects on low-income earners were modest, especially since housing allowances were increased to compensate for the favourable treatment of high-income earners. However, a report from the Ministry of Finance has shown that the marginal effects have increased over the past few years. The size of the effects are larger and more people have been affected. An important contributory factor is that many people have experienced a real drop in wages, or alternatively have become dependent on Unemployment Benefit.

There has been a wider debate on the incentive problems within social insurance programmes for some years. More recently, incentive problems within social assistance have been raised both by business and by government think-tanks.

There are no marriage credits or behavioural advantages implicit in the social assistance scheme. Rather, there may in theory be more of an incentive for couples to split up, as benefits are then calculated on an individual basis, which increases the level of social assistance. However, there is no research information available suggesting any actual behavioural impact in this direction which could be attributed to social assistance.

Public and knowledge about benefits

Public knowledge about entitlement to benefits is thought to be limited. Families with several children, for example, may be entitled to claim benefits, but take-up among them is thought to be low because they are unaware of their entitlement.

Gough (1994) argues that the Swedish commitment to full employment has meant there has been low unemployment and poverty up until the 1990s. This has 'encouraged the belief that recipients were in some way inadequate and hence cash assistance required a close link with social care and rehabilitation services' (Gough, 1994, p.19). There continues to be a debate about the different roles of social workers. Some commentators claim that the different tasks of assessing payments and providing social work support should be separated to improve efficiency_ whereas others claim that a holistic approach to social and economic problems is preferable.

Public debate on ,social assistance

Criticisms of social assistance are twofold. First, they concern the fact that some municipalities do not pay the levels of assistance established by the National Board of Social Welfare (this is a small proportion of municipalities_ although the exact number is not known). As a result, those people *who do* not receive the proper levels of benefit have to go to court to secure their entitlements. On the other hand, it is also argued that some individuals have been able to manipulate the system via court decisions. The latter view is most often expressed by municipalities.

Swedish people are generally supportive of welfare state programmes and although there were signs of diminishing support during the 1980s, this had stabilised towards the end of the decade (Svallfors_ 1994). There are, however_ differing levels of support for different programmes. Support for social assistance and housing benefits is rather ambivalent: a greater number of people would decrease public expenditure on these items_ whereas others would increase it (Svallfors, 1994). It is relevant, however, to note that support for social assistance is stronger than support for housing allowances. A 1985 survey suggested that the public were actually in favour of higher income thresholds than those set by politicians (Aguilar and Gustafsson, 1990b).

Social policy debates are generally more concerned with social insurance benefits than social assistance, partly because most changes have occurred in insurance programmes_ . (K. Tonally there has been discussion of the level of social assistance benefits relative to social insurance benefits and earnings (SNS, 1994; ESC). 1994). The increased number of social assistance recipients_ is also often used to illustrate the limitations of the insurance programmes. It is not to say that the means-tested programmes are seen as more efficient, but rather that the division of responsibility *is* inappropriate, and that social insurance programmes should do more. Even though there appears to be a general belief that means-tested benefits are needed, they are usually *seen* as undesirable.

It is often claimed that the social security net is 'too loose' in Sweden and this is used to explain some of the increases in the number of social assistance claims. The safety net has no doubt widened its scope in recent years, although during the 1980s much stricter controls were practised. Several other explanations are put forward for the increases. These include the fact that young people are no longer able to find permanent employment in the labour market. Increased levels of unemployment and a fall in real wages has also contributed. When unemployment has decreased there have still *been* some groups of people who have continued to find it difficult to secure employment. There are also signs that long-term benefit dependency has increased in addition to the new groups of recipients who have appeared in the second half of the 1980s. Former patients of mental hospitals are one such group although the most recent is a large number of refugees (Knutsson and Stridman, 1988).

21.8 Recent and forthcoming changes

During the 1980s, proposals were regularly put forward for the introduction of a 'basic income' standard. More recently, the question of a national social assistance

rate has become the primary issue. Although this has been under review by a parliamentary committee for some time, it has still to be decided. The reason for the delay is that there was political disagreement within the previous coalition government. Following the election and the change of government it is expected that the Social Democrats, together with the Liberals and the Left Party, will vote for the introduction of a mandatory, national social assistance rate. No other major changes are expected in the near future.

21.9 Overall performance

Social assistance still plays only a small role in the social security system of Sweden, which relies on universal and contributory benefits for most of its social protection. Social assistance is, nevertheless, available on a broad and inclusive basis. There are national guidelines for benefit levels, but considerable local discretion remains, both in rates of benefit and in assessing individual needs. As in other countries with similar approaches, this type of system has both positive and negative features. It can be positive in that it allows for individuals' circumstances to be taken into account, but it is problematic in that it can, on occasions, require claimants to take municipalities to court to enforce payment of the national recommended benefit rates.

Sweden has one of the most comprehensive means tests and some of the most stringent work-seeking requirements among the countries in the study, and few people of working age are exempt, including lone parents. On the other hand, this goes along with widely available child care and a range of training and employment opportunities. It is generally considered that active labour market programmes in Sweden have been particularly successful, and most social assistance recipients do not stay long on benefit. This happens in spite of the lack of earnings disregards or other incentives commonly seen as necessary to encourage people to move off benefit.

Benefit levels, though variable, are generally relatively high compared with other countries in the study. For larger families this produces high replacement rates, but the potential disincentive effects which can result, while the subject of some *debate*, seem to be reduced by other factors such as the strong work ethic. There are signs that as unemployment increases, social workers' rehabilitative role in relation to social assistance recipients may be coming under some strain.

Generally, the Swedish people are supportive of welfare state programmes, although there are differing levels of support for different programmes. It remains to be seen how far current social assistance arrangements will be affected by the cut-backs which are taking place in other areas of social expenditure.

Chapter 22 Switzerland

22.. Background

Demography

Switzerland is a small country, with a population of approximately 6.97 million in January 1994 (Eurostat, 1994a). The rate of population increase in 1993 was almost three times the average for countries of the European Economic Area (EEA), though more than half of this increase was through immigration. At the end of August 1992, there were just under one million foreign workers, around 14 per cent of the total population, but three-quarters of these were from E.U. countries, notably Italy. Total fertility in 1993 was marginally above the average for the EEA. While both the marriage and divorce rates were slightly above the average, the percentage of births outside marriage was one of the lowest in the European area, at 6.3 per cent, compared to a 1992 EEA average of 21.4 per cent (Eurostat, 1994a). Recent data on lone parenthood in Switzerland is not available, but it is likely to be relatively uncommon. In 1990 there were 4.5 people of working age per older person aged 65 years and over – a support ratio which was lower than the average for OECD countries. The proportion of people aged 80 and over has also risen faster than average since 1960 (OECD, 1994d).

Employment and the economy

At current exchange rates Switzerland enjoys by far the highest income per head of all OECD countries: at purchasing power parities it is second only to the USA. It has traditionally enjoyed a combination of low inflation and low unemployment, and though in the recent recession unemployment increased sharply, it was still only 3.7 per cent in 1993 on a standardised measure, compared to an OECD average of 7.8 per cent (OECD, 1994a). Unemployment has been low partly because Switzerland has relied extensively on immigrant labour as a way of regulating the labour market and to fill undesirable jobs (OECD, 1993). In 1992, the long-term unemployment rate was just under 21 per cent, also lower than the OECD average (OECD, 1994a), although it has increased since then.

In spite of being a wealthy country, Switzerland has traditionally devoted a relatively low proportion of GDP to public social expenditure. To finance this expenditure, it relies less than other countries (especially in the EU) on employers' social security contributions and consumption taxes, and more on income tax and local taxes.

The political framework

Switzerland has a federal political system with 26 cantons and around 3,000 communes. Cantons and communes are sovereign political entities and can initiate legislation and regulations. In principle, cantonal authorities have jurisdiction in all fields and the federal government may legislate only in those where it is expressly empowered to do so by the federal constitution. According to the principle of subsidiarity, resolution of problems is devolved to the smallest possible social unit. Switzerland also exhibits elements of direct democracy in the form of compulsory and optional referenda and popular initiatives.

22.2 The social security system

Background

According to *Wietle*. (1994, pp.98-99), the Swiss social security system has been particularly shaped by:

- the dominant role of the traditional male-earner family continuing full employment and an association of social security income with work
- the principles of liberalism and strict subsidiarity.

The first of these elements has been modified by revisions to the law on retirement and survivors' pensions, and on sickness insurance, coming into effect respectively from January 1996 and 1997. The last point is reflected in the way that private schemes are integrated into the Swiss social security system (and referred to as 'private social security'). The majority of sickness funds are also organised as private associations. Pension provision is built on three 'pillars': the first is the state contributory pension scheme; the second consists of occupational pension schemes; and the *third* is made up of private savings schemes. Subsidiarity is also present in the wide array of non-governmental organisations, notably religious charities, working in social welfare and social assistance, many of whom receive financial support through the retirement, survivors' and sickness insurance schemes.

Overall policy responsibility for sickness and maternity insurance, the three pillars of the pension system, family allowances, and accident and occupational illness compensation, is exercised by the Federal Social Insurance Office. Administration is through a variety of public and private institutions, while in addition to employer and employee contributions, the various schemes receive subsidies from the federal government and the cantons in proportions which vary according to the scheme. Fifty per cent of invalidity pension expenditure, for example, is financed by public authorities, with three-quarters of this sum coming from the federal government and a quarter from the cantons. For old-age and survivors' pensions, the federal government meets 17.5 per cent of expenditure and the cantons three per cent. Two-thirds of the deficit for family allowances is met by the federal government and one-third by the cantons.

Unemployment insurance is the responsibility of the Federal Office for Industry and Labour.

Structure

The main social security benefits are as follows (Gross and Puttner, 1987; Guillaume, 1990):

Pensions: Pensions, as stated above, are organised in three 'pillars'. The first -- public pensions -- comprises the Swiss Old Age and Survivors' Insurance (*Alters- und Hinterlassenenversicherung, ALIV*) and Invalidity Insurance (*Invalidentversicherung, IV*). These provide old age, survivors' and invalidity pensions for all Swiss citizens and foreign residents. Pensions, paid from age 65 for men and 62 for women, vary with income and duration of contribution (up to a maximum of 44 years for men and 41 years for women) within minimum and maximum limits. In 1992 the minimum single pension was SF 1,800 per month (approximately US\$407 or £256 using purchasing power parities) and the maximum SF 1,800 (US\$815 or £513). Rates for married couples are 50 per cent higher than for a single person where the wife is over 62 or disabled, or 30 per cent higher if she is under 62 but over 55 years. Invalidity Pension has the same maximum and minimum rates as for the old-age pension, and is payable proportionately to insured persons according to their degree of disability and loss of earnings capacity. Other medical and rehabilitative services are also available and an additional allowance can be paid (as under the old-age pension) where people need special help to carry out everyday activities.

A further important element of the basic pension scheme comprises the income-related supplementary pensions which guarantee recipients a minimum level of income. The supplementary old-age and invalidity pensions are available to insured persons if their ordinary pension is below the supplementary pension level, and, as a general rule, if their overall income does not exceed certain limits. Supplementary pensions are set at the same level as the minimum full ordinary pension. Although these minimum pension supplements are income-related, they are not regarded as part of social assistance, but they constitute an important plank in Swiss strategies for avoiding poverty.

The second pillar, in existence since 1985, comprises compulsory occupational pensions, which (including the basic pension) generally provide 60 per cent of full pay after a period of full contributions (at least 40 years). These are financed, in part by a public subsidy, by equal contributions from employers and employees. The minimum insured annual earnings level which allows participation in this second tier of pensions was SF21,600 in 1992 (approximately US\$9,770 or £6,150). Thus lower-earners, including many women, are excluded. The third pillar consists of voluntary private providential schemes, which receive favourable tax treatment.

Sickness Benefits: This covers both medical benefits in kind and replacement income during sickness. Ninety-eight per cent of the population are compulsory contributors to recognised private funds. Insured persons make a fixed annual payment for medical costs (the 'franchise'), which in 1995 is normally SF150, but which can be increased in return for reduced contributions. In addition they pay ten per cent of costs over and above the franchise element, up to a maximum limit. The funds are subsidised by the federal and cantonal authorities. Company medical plans are becoming more popular due to a sharp rise in medical and hospital charges.

Employees can choose to pay^s voluntary contributions for the cash sickness benefit, though contributions may be compulsory under some collective agreements or individual employment contracts. Benefit is payable at a rate of at least SF2 per day, for at least 720 days in a period of 900 consecutive days, in the case of total incapacity to work (increased to 1,800 days in cases of tuberculosis). Maternity benefit is also available under this provision for ten weeks.

Unemployment Insurance: Since 1982, all employees who are in the first-tier public pension scheme are also covered by the compulsory Unemployment Insurance scheme. The allowance is earnings-related and payable for a maximum of 250 days, where sufficient contributions have been made. In practice, the emphasis is on reinstating people in work as quickly as possible.

Family Allowances: Agricultural workers and federal civil servants receive federally-mandated family allowances irrespective of income. Most other employees are now members of cantonal schemes. In some cantons, self-employed people with incomes below a certain ceiling are also members of the scheme. Finance comes mainly from employers' contributions. The benefits include allowances for the household and children, although some cantons have replaced children's allowances with vocational training allowances for apprentices and students up to the age of 25.

Income compensation and military insurance: All Swiss male citizens are liable for military service. The income replacement scheme compensates for the loss of earnings for all those doing military service or civil defence, for members of the women's military corps and for Red Cross employees. Together with ar insurance, it provides a range of benefits and is mainly financed by contributions from employers and employees.

22.3 Social assistance

Introduction

Social assistance (*Aide Sociale* or *Soziale Fürsorge*) in Switzerland plays only a minor role in the overall social security system, in which most needs for social protection are met through insurance-based provision, including the income-related minimum pension supplements. The organisation of assistance is strongly shaped by the political principles of federalism, subsidiarity and popular democracy. These elements result in a complex system of assistance, combining three levels of jurisdiction (municipal, cantonal and federal) and a wide range of bodies entitled to deliver services. Article 48 of the Constitution rules that persons in need are to be assisted by the canton where they live. The Federal Law of 1977 defines when a person is in need, and another Law specifies the refund of social assistance between cantons. Basically social assistance is the responsibility of the 26 cantons, who generally delegate the delivery of benefits to the communes, of which there are about 3,000. Benefit levels, entitlements and most other features of assistance vary across the communes and cantons. Thus it is not possible to characterise Switzerland as having one social assistance system. The decentralised nature of social assistance also means that only very limited data is available on a national level.

Social assistance is also regarded as a subsidiary payment in the sense that claims against close relatives must have been exhausted before it may be awarded. For these reasons, Switzerland may be regarded as an example of what Lodemel and Schulte (1992) have termed the 'incomplete, differentiated poverty regime'.

History

Article 48 of the 1874 Federal Constitution established a system of poor relief based on a person's canton of residence. However, a continuing debate ensued about the respective responsibilities of canton of residence versus home canton. The 1960 Concordat between the cantons established that the canton of residence is responsible for social assistance. This was later regularised by the 1977 Federal Law on Legal Responsibility for Support of the Needy. At the same time the gradual extension of special social welfare programmes for invalidity, alcoholism, drug addiction, and so on, have replaced poor relief in many circumstances.

Structure and policy objectives

Social assistance is a *cantonal* responsibility and provides benefits for persons or households in order to ensure a minimum standard of living. It is based on three principles: the guarantee of a minimum standard of living; individual and subsidiary assistance (that is, it is available only when no other form of assistance, including family assistance, is available); and *the* recovery of independence by beneficiaries.

Administrative and regulatory framework

Social assistance is mainly the responsibility of communes but governed by cantonal law. Effectively there are 3,000 different systems and 26 social assistance networks. This leads to complex relations between commune, canton and Confederation. For example, a person's home canton can bear the responsibility of paying for their assistance for up to five years *after* they have gone to reside in another canton. This is achieved by reimbursing the canton of residence, a procedure regulated by an inter-cantonal pact. Similarly, when people move within a canton and then become dependent on assistance, rules of payment and reimbursement are often specified in intra-cantonal pacts developed by the towns and communes.

Benefit is payable following an analysis of the claimant's budget. This means that a social worker estimates the person's needs using model expenditure budgets, but taking account of individual circumstances. A central institution - the *Confédération Suisse des Institutions d'Assistance Publique (CSIAP)* - specifies benefit norms and procedural guidelines. All cantons are members, but the CSIAP can only make recommendations. There are also directives operative in several cantons relating to legal proceedings and bankruptcy.

Fragniere *at al.* (1994) distinguish five categories of social assistance arrangements across Switzerland:

| | | Percentage of national population |
|--------------------------------|-----------------------|-----------------------------------|
| Complex social organisation | Cities 50.000 persons | 19 |
| Social service | Medium-small towns | 13 |
| Sociaicommunity service | Communes < 15.000 | 13 |
| Regionalised social service | Communes < 5,000 | 19 |
| 'system' without professionals | Communes = 5,0(10) | 28 |

Conditions of eligibility

Anyone in need. defined according to Article 2.1 of the 1977 Federal Law as anyone who cannot subsist at an adequate level by his/her own means, is entitled to claim social assistance. subject to the principle of subsidiarity.

Residence and nationality

This is a salient issue in the decentralised Swiss system. Eligibility varies across cantons and communes according to the category of person. and rules are not always clear. Until 1994, for example. communes in the canton of Fribourg paid *for the* social assistance of the Fribourgeois in their commune only. whereas the canton paid for Swiss citizens from other cantons. Fribourgeois living in other cantons *and* foreigners. Following a new law in 1994 in the canton of Fribourg. every person (Swiss or foreigner) living in a commune (with a residence permit, a 'staying permit' or a short-term staying permit) is entitled to social assistance.

It is the responsibility of the Confederation to provide social welfare to refugees and asylum-seekers. Normally, however, refugees with an asylum permit and foreigners with a residence permit seek help from the Red Cross, while refugees with no residence permit, who have lived in Switzerland for less than five years. ask for social assistance from private institutions. *All* this, however, differs across cantons and communes. Research suggests that social pressure and stigma can sometimes force people to move to a different commune to claim social assistance (Borer. 1993; Wyss. 1994). Some communes, it is alleged, even pay people's fares and rent to move to the *lar^s er* cities.

Social assistance is not portable to other countries.

Duration of benefit entitlement

There are no set limits in law for the duration of entitlement. but the normal expectation is that social assistance is a temporary benefit. except for older and disabled people. Table 22.1 gives an example of average benefit duration in one canton. by cause of need.

Table 22.1: Avertte duration on social assistance in Canton of Tessin, by cause of need

| Causes | Average duration in years |
|---|---------------------------|
| Alcoholism or psycholo ^s ical problems | 2.68 |
| Insufficient invalidity pensions | 2.62 |
| Divorced or separated Families | 1.88 |
| Imprisonment | 1.75 |
| Insufficient pensions | 1.48 |
| Health | 1.46 |
| Unemployment | 1.31 |

Source: Guillaume. 1994

Availability for work and labour market policy

'Social reintegration' and 'client rehabilitation' are explicit objectives of Swiss social assistance in general. An underlying aim is independence and autonomy for recipients, and there is a common expectation that few people should remain in

receipt of benefit for more than two or three years even if the economic situation is unfavourable (Tschizmpferlin, 1994, p.67). This approach frequently entails developing, with public welfare workers, a work or re-training plan and a commitment to achieve it. However, no evaluations have been carried out as yet of the efficacy of these policies.

There has been little specific analysis of potential poverty or unemployment traps in assistance schemes in Switzerland. However it has been demonstrated that some people would be better off receiving social assistance than working, especially lone mothers (WolfTers, 1993: FRC. 1994).

The benefit unit

Any individual can apply for social assistance and the assessment of entitlement is based on the needs of the claimant and anyone in their household who is dependent on them.

Income and assets tests

There are no standardised means tests operating at a national or cantonal level. As described above, social workers dealing with requests for assistance apply household budget guidelines to assess the individual's needs. From this, household income is deducted to arrive at a figure for benefit payable. Assets (up to unspecified levels) are also likely to be taken into account. Thus, unlike in most countries, there is a detailed investigation of both needs and resources. All forms of income, including other social security benefits, are liable to be taken into account.

Parents and grandparents are commonly deemed to be responsible for their adult children or grandchildren, and adult children for their parents and grandparents. In the Canton of Zurich, for example, the welfare regulations support civil law obligations between married couples, parents and minors, blood relatives in ascending or descending line, and even brothers and sisters whose circumstances are more favourable.

Benefit levels

The norms set by the CSIAP indicate the amount needed for the calculation of guideline household budgets, under the following headings: maintenance, 'free share' (*Sackgeld* or pocket money), rent, clothes, electricity, radio, television and telephone fees and transport. Table 22.2 shows the guidelines for four family types in 1994.

In 1985, these amounts were approximately the same as the minimum income-tested pension in the first-tier scheme, and slightly below the insurance-based guaranteed pension (Marazzi, 1992). However, the norms were not raised between 1992 and 1994.

Table 22.2: CSIAP assistance guidelines 1994, in Swiss Francs per month

| | Single person | Couple | Single person, 1 child < 12 years | Couple, 3 children aged 5, 13, 17 years |
|------------------------------|---------------|-------------|---|---|
| Maintenance | 670 | 1,000 | 1,000 | 1,850 |
| 'Pocket money' | 150 | 300 | 150 | 330-760 |
| Rent, heating, electricity | 900 | 1,100 | 1,100 | 1,600 |
| Clothes | 80-100 | 160-200 | 80-100 | 220-280 |
| Radio, television, telephone | 65-85 | 75 | 65-85 | 75-95 |
| Transport | 56 | 112 | 56 | 176 |
| Total | 1,921-1,961 | 2,747-2,787 | 2,451-2,491 | 4,251-4,361 |

Source: CSIAP, 1994

In 1993 purchasing power parities, the total advisory maximum for a single person was approximately US\$890 or £552 per month, and for a couple with three children US\$1,980 or £1,245.

Many communes, for reasons including financial constraint, do not apply the recommended norms of the CSIAP, and do not make up applicants' incomes to these levels (Tschumperlin, 1994). Others use even *higher* guidelines: Geneva, for example, uses a 'maintenance budget' about SF 500 a month higher than shown in the table. Other benefits may be added to these, for example to cover health-care costs. These levels compare with an average monthly wage of SF 4,643 in 1992 (US\$2,100 or £1,323) and are thus relatively generous.

According to Rust (1994), who carried out a survey of recipients in a sample of communes in the German-speaking part of the country, 66 per cent of benefit payments were regular, ten per cent one-off and 13 per cent irregular.

A distinctive feature is that assistance benefits are notionally repayable, though effective repayments are apparently rare and it is argued that this is perhaps more of a symbolic feature (Wolfler, 1993).

One-off or urgent payments

There is no separate provision for one-off payments since all assistance in Switzerland is discretionary and in that sense 'emergency'. However, as mentioned above, ordinary payments of assistance can be made either as regular or one-off awards.

Administration and the claiming process

Unlike most other systems, social assistance in Switzerland is largely discretionary. Social assistance is closely linked to the ideas of guardianship (*Formundschaft*) and public health. To receive assistance the claimant must collaborate with the social assistance institution and a public welfare worker or social worker. They may have to collaborate with a rehabilitation programme or alter their behaviour in *agreed* ways to obtain benefit. According to Segalman (1986):

Almost no aspect of the client's life or the life of his or her family is prohibited for discussion by the worker ... (the worker can require) interviews with the client and collateral visits to relatives, employers, teachers of the client's children, and others.
(p.111)

In the Canton of Geneva, every applicant must accept five conditions (*Hospice General*, 1991, p.17):

- the fact that the assistance is repayable
- an enquiry into his/her situation
- a justification of his/her expenses
- the opening of a file under his/her name
- the support of a social worker.

In Zurich, the regulations state:

Financial help is to be correlated with the efforts of the applicant, particularly his duty to inform the authorities and compliance with the instructions of the welfare authorities. If necessary, guardianship (of the client) can be applied for.
(Lerner, 1979, p.2)

Borer (1993, p.107) suggests that in some places unmarried couples have been instructed to marry in order to receive benefits, while certain communes may refuse

assistance if they consider that the person is responsible for his or her own situation.

Applications for benefit may have to be made over a public counter and can thus lack privacy, particularly in smaller communes (*Conseil d'Etat du Canton de Fribourg*, 1991). Communes also differ according to whether the administrative clerk has the competence to grant the benefits or whether each order has to be signed by the head of the social welfare or finance department. Often junior officials can award sums up to a certain amount, or make one-off payments (Milder and Neff, 1990).

Claimants should receive a decision on their applications within two to three weeks, but it can take longer in some communes where there are no professional staff. The majority of payments are made in cash but the frequency varies. In some communes claimants may have to collect payments from the office on a daily basis, whereas in others payments are made weekly or monthly.

There is a right of appeal against decisions on social assistance claims, and legal aid is available, but the procedures differ between cantons. In practice, appeals are so rare that they receive little attention in any of the literature concerning the administration of assistance.

The role of non-governmental organisations in social assistance

There is a wide range of non-governmental organisations (NGOs) working in the field of assistance, often, like the lone parent family association, targeted on a specific group. There is no precise information available on the extent of NGO participation in the field of social assistance, but Rossini (1992, p.64) has estimated that some 500 organisations are involved. Some of these have a well-known national presence, including *Caritas*, The Social Protestant Centre, *Pro Familia*, *Pro Senectute* and *Pro Juventute*. Most of these receive substantial and growing financial support from communes, cantons and the federal government. They play an important role, particularly in providing guidance, counselling and advice. In the larger cities comprehensive guides are published to the services of these numerous groups; for example, *La Clz: Guide Social et Pratique* in Geneva. In the smaller communes they offer what is sometimes regarded as a more professional and less discretionary alternative to public assistance.

22.4 Housing assistance

There is no separate, national means-tested housing benefit in Switzerland, but housing costs can be included in the calculation of general social assistance payments, depending on individual circumstances. Federal, cantonal or communal authorities also provide low-cost housing and there is a targeted housing policy for low-income groups.

22.5 Trends in expenditure on social assistance

There are no national data available on social assistance expenditure. On the basis of a sample of communes in the German-speaking part of the country, Rust (1994) estimated national expenditure in 1992 to have been SF1 billion gross and SF600-700 million net. The net figure was 0.2 per cent of GDP and 1.8 per cent of social security expenditure.

22.6 Trends in receipt of social assistance

National data on claimant numbers are also unavailable, but Rust (1994), in the pioneering study referred to above, attempted to gather statistics on social assistance. He concluded that between 100,000 and 150,000 people were currently beneficiaries of social assistance, equivalent to between 1.4 per cent and 2.2 per cent of the population. This is a low proportion at a time of unprecedented unemployment. His study was, however, not necessarily representative of the whole Confederation. There is some more information available for particular cantons. In

the canton of Vaud. for example, the annual number of social assistant cases is thought to have been relatively stable, at around 10,000. Vaud however, is one of the areas particularly affected by the recent increase in unemployment. so it is likely that the demand on social assistance has also increased.

22.7 Policy issues

Switzerland exhibited a relatively low level of poverty before social security transfers are taken into account. but relatively less effectiveness in reducing it after transfers than the other countries covered in Mitchell's (1991) re-analysis of data from the Luxembourg Income Study. This reflects the relatively low level of redistribution in the Swiss social security system. Kohl (1993) found that inequality in old age was greater than in Britain or the USA, though the mean income of elderly people was higher the pension system was thus generous but maintained differentials.

A long-standing conviction in public debate within Switzerland has been that poverty was largely absent. However, in 1987 the National Fund for Scientific Research decided to study the 'new poverty' and its relation to social assistance. Since 1990, many cantons have also undertaken surveys of poverty. A selection of newspapers and journals reveals a growing debate about poverty in Switzerland in 1994, but this has yet to inform a fundamental review of the assistance arrangements.

The main target of reformers has been the mainstream social security system, which caters for a much greater proportion of the population than does social assistance. Commentators have argued that the existing structure of social insurance is no longer adequate to deal with social and economic changes such as high unemployment and the growth of lone parent families (see, for example, Vielle, 1993).

Some reformers have argued for rights-based social assistance, including a framework law, the removal of the duties of families to assist relatives, clarification of the responsibilities of the area of residence, regionalisation of assistance finance, appointment of an ombudsman and other radical changes (see, for example, Coullery, 1994; Hopflinger, 1994).

22.8 Recent and forthcoming changes

No changes have taken place in social assistance arrangements on a national level in recent years and none have been reported as forthcoming.

22.9 Overall performance

It is necessary first to emphasise again the minor role that local social assistance has played up to the present in Switzerland compared to the social insurance system, though with higher unemployment and social change it could be playing a more important role in the future. Segalman (1986), comparing the 'Swiss welfare' with social welfare in the USA, sees many advantages in the former. Importantly, he argues, the Swiss arrangements encourage client independence. The fact that awards are often temporary, repayable, related to the contributions of the wider family, and conditional on the client's progress towards rehabilitation and self-improvement, means that assistance plays a quite different role in Switzerland to any other developed country. In particular, the inter-generational transmission of 'welfare dependency', he argues, is minuscule. Another advantage cited is that the role of non-governmental organisations encourages innovative ways to help people back into society. However, it also needs to be noted that if the official budget guidelines are an indication of the average income levels of recipients, then Swiss social assistance appears generous in relation to average earnings - indeed among the highest in the Western world.

Others in Switzerland are critical of its unique form of social assistance (see, for example Fragniere, 1994; Wolffers, 1994). The limitations they enumerate include the following:

The absence of a right to benefit, of legal standards and of standardised criteria of treatment, coupled with the individualisation and discretion of the assessment process, may lead to arbitrary and unequal treatment of claimants with similar needs.

- The absence of national rates of assistance leads to unequal treatment between communes and cantons. This is exacerbated by differences in fiscal resources – sometimes communes claim to have no money to pay benefits – and can lead to claimants choosing or being encouraged to move to more generous localities.
- Claimants also face strong unofficial social pressures, especially in numerous small communes. Tschimmerlin (1994, p.66) quotes the case of a commune of 85 inhabitants which had to raise taxes to pay assistance to a single drug addict. A survey of recipient families in Geneva found that many experienced being on assistance as humiliating and shameful (Lescaves *et al.*, 1992; Jaques, 1990).
- The absence of procedural rights, along with the guardianship role of social workers, may undermine client autonomy and exacerbate the stigma associated with claiming assistance. The fear of incurring debt may also discourage applications.
- The lack of national legislation and the variation in local practices inhibits informed discussion which might lead to political reform..

It is the second point above which is most unique to Switzerland and is reminiscent of the contradictions of parish poor relief, which, according to de Swann (1988), propelled most countries to develop collective, national and right-based systems of public assistance over the last three centuries. In this sense the Swiss approach could be regarded as pre-modern. Yet communes are reluctant to lose any of their present powers in the assistance field.

Chapter 23 Turkey

23.1 Background

Demography

The population of Turkey in 1992 was approximately 59 million. It has the fastest growing population in the OECD and has doubled in the last 30 years. As a result, the age structure is skewed towards the young. Whilst the proportion of older people is low (4.4 per cent), the proportion of children aged 0-14 years is very high. Combining the two, Turkey has the lowest ratio of working age population per dependent person in the OECD (1.4 compared with an average of 2.0). The family structure is typical of most developing countries in the region. For example, only 16 per cent of people over 65 lived alone in 1988 (OECD, 1994d) and the number of lone parents is insignificant'.

Employment and the economy

For several years, Turkey has been a high growth, high inflation economy. By mid-1994, inflation had reached 118 per cent, the trade balance was heavily in deficit and the Turkish lire was falling steadily. A planned privatisation programme is under way which, it is hoped, will reduce the large public sector deficit (12 per cent of GDP in 1992). Despite years of the most rapid growth in the OECD, Turkey still has by far the lowest per capita income, equivalent to US\$3,700 or around £2,300 at purchasing power parities in 1992 (OECD, 1993m).

Official unemployment has been somewhat higher than the OECD average and was estimated as 12.7 per cent in 1993 (OECD, 1993m), although the Jobs Study puts the standardised figure rather lower, at 7.3 per cent compared to an OECD average of 7.8 per cent (OECD, 1994a). Long-term unemployment is also high, with an estimated 43.7 per cent of all those unemployed out of work for a year or more in 1992 (OECD, 1994a). The employment structure is still more typical of a developing economy, with 44 per cent of employment in agriculture, and the participation rate for women, at 34 per cent, is only about half the OECD average (OECD, 1993m). The labour market is so important for understanding the extent of poverty, the nature of social security and the demand for social assistance, that the following lengthy passage is worth quoting.

The labour market is probably the area where the dissimilarities between Turkey and most OECD members are the greatest. The high growth rates of population and labour force, the relatively low level of educational attainment, an unbalanced skill composition of the work force, the dominant share of agriculture in total employment, the low labour productivity in agriculture as well as in the so-called informal sector in urban areas, the small share of wage earners in the work force, and massive shifts in the sectoral distribution of the labour force through rural-urban migration are among the major structural characteristics. Another key feature of the Turkish labour market is the extremely low level of female participation rates in urban areas. ... The resort to child labour in both agriculture and the informal sector, sharp differences in the regional distribution of income, and the existence of seasonal migration in agriculture on a significant scale are further factors. ... The fact that many members of the urban labour force in some form still retain their economic as well as social links with agriculture as their sector of origin

also warrants attention. Another salient feature is the big share of the public sector in total urban employment. (OECD, 1993m. pp.36-37)

The political framework

Since June 1993 Turkey has had a coalition government, bringing together the right-of-centre Truth Path Party (DYP) and the Social Democratic Populist Party (SHP). The main opposition comes from the free market Motherland Party (ANAP) and the pro-Islamic Welfare Party. Administratively the country is composed of 76 regions (il), each divided into districts (*ilce*).

23.2 The social security system

Social security in Turkey is based primarily on social insurance, funded mainly from contributions by employers and employees. The State does not make any contribution to the financing of social security.

Social security is provided by the organisations listed below:

- The Government Employees Retirement Fund, for civilian and military public employees
- e The Social Insurance Institution (SSK). for wage-earners employed on a contract of service
- e The Social Security Organisation of the Self-Employed (*Bag-Kur*), for craftsmen, artists and artisans, small business owners working on their own account, and people working independently in the agricultural sector
- Private funds for employees in the finance sector. These funds also co-operate to provide the minimum benefits paid through the Social Insurance Institute. No specific information was made available about these funds and they are not discussed further below.

People permanently employed in agriculture, and self-employed persons working on their own account in the agricultural sector, have been included in the coverage of social security since 1 January 1984. The Social Insurance Institution is responsible for the former while the Social Security Organisation of the Self-Employed administers insurance for the latter group.

The Government Employees Retirement Fund

The first 'modern' social security organisation was the military retirement fund, set up in 1866 for those in the military service. In 1881 a retirement fund for civil servants was established and in 1930 a system of benefits was adopted based on paying pensions out of the general *budget*. instead of out of a contributory fund. In 1946. a system was established in which a ratio of contributions was deducted from the salaries of civil servants. The Government Employees' Retirement Fund started operations on 1 January 1950. Its aim was to provide social benefits, within a retirement system for government employees, entitling contributors to the following benefits: retirement pension, retirement grant, job disability pension. disability pension, survivors' pension, death grant and marriage grant.

Social Insurance Institution

The modern security system in Turkey began with the introduction, in 1949. of Act No. 4772 on occupational accidents, professional diseases and maternity. This was followed in 1951 by the introduction of old age pensions. Act No. 5417 on old age pensions was replaced in 1957 by Act No. 6900 on invalidity, old age and survivors' insurance.

The first legislation to address, in a coherent way, the social security of those in employment was the Social Insurance Act No. 506, which came into effect on 1 March 1965. Before this date the existing provisions were fragmented. but

following a review they were brought together in a form more appropriate to the prevailing social and economic circumstances.

The Social Insurance Institution provides services under seven insurance schemes: Occupational Accidents and Professional Diseases, Health, Maternity, Invalidity, Old Age and Survivors' Insurances.

The normal retirement ages were increased in 1990 from 55 to 60 years for men and from 50 to 55 years for women, but the minimum age limit for pensions was removed by Act No. 3774, which came into effect in 1992. Insured persons are now entitled to a pension on completion of insured periods of work of 20 years for women and 25 years for men, as long as they have made contributions for a period of at least 1,500 days. Pensions are calculated on the basis of 50-60 per cent of average earnings in the last 10 years of work, up to a maximum of 60 per cent of the average for the last five years. Working *from* the minimum of 50 per cent of average earnings, the index is increased by one per cent for each 240 days for which contributions have been made after the ages of 50 for women and 55 for men.

Employees' contributions for the social insurance schemes are set at 14 per cent of gross wages, while employers' contributions fluctuate between 19 per cent and 25 per cent, in proportion with the severity of the risks in the occupations performed.

The development of private insurance schemes is being encouraged, but has not yet reached a significant level.

In the case of sickness, benefit is payable at a level equal to two-thirds of the daily earnings, constituting the basis for the sickness contributions for out-patient treatment, and half the daily earnings where hospital treatment is received. The dependent family members of the insured person benefit from free access to all medical services provided by the Social Insurance Institution. However, a contribution of 20 per cent of the costs must be paid for any out-patient treatment received by the insured person or any family member. In the case of old age pensioners, this contribution is reduced to 10 per cent of the cost of treatment.

Where treatment is required abroad because of the limitations of the local health services, an insured person can be transported abroad if the SSK Medical Board certifies that treatment is necessary, provided that health insurance contributions have been paid for a period of 300 days in the course of the year when the illness became apparent.

Because of financial difficulties, public hospital services in Turkey are not at present regarded as fully adequate. The private health care system is gradually being extended.

In accordance *with* the provisions of Act No. 506, an invalidity pension is provided to persons certified by the Medical Board as being disabled or incapacitated, as long as contributions have been made for at least 1,800 days in total, or for at least 180 days in each of the previous five years. The invalidity pension is equivalent to 70 per cent of an index based on average earnings over the previous five years in which full contributions were made. In cases where the insured person needs care from another person, the pension can be increased to 80 per cent of previous earnings.

Apart from the pensions described, the Institute does not have responsibility for any other allowances. However, in cases of marriage of female orphans entitled to the survivors' pension, a marriage grant is payable equivalent to 24 months of the current pension. Compensatory payments required to be made in cases of dismissal, retirement, death and military service are provided by the relevant employer.

In September 1971 the Social Organisation for the Self Employed was established and it began to operate throughout the country on 1 October 1972.

The scheme covers self-employed people outside the coverage of the Social insurance Institution, such as craftsmen, artisans and small businessmen, technical and professional people who are registered with a professional association, and shareholders of companies other than co-operatives and joint stock companies.

The administration of the 'Social Insurance Law concerning the Self-Employed in Agriculture' of 20 October 1983 has also been entrusted to the *Bag-Kitr*. The social security services for agricultural workers which were initiated in several provinces in 1984 have been provided in all the provinces since 1 July 1993.

Bag-Karr provides the following benefits:

Disability Insurance: This entitles an insured person who has lost at least two-thirds of his or her working capacity to a disability pension.

Old Age Insurance: This entitles the contributors to the following benefits in case of old age:

- Old age pension payable to an insured person who has completed a specified period of service
- An insured person of a pensionable age who leaves his job but is not entitled to a pension can receive a lump-sum payment corresponding to the total amount of contributions paid.

Death Insurance: This entitles the survivors of an insured person to the following benefits:

- Pension payable to the survivors of an insured person who dies having completed a specified period of service, or to those of a disabled pensioner
- If no survivor is entitled to a pension, a lump-sum payment can be distributed among the survivors
- In case of the death of an insured person or a pensioner, a lump sum payment can be made to the person who undertakes the funeral expenses.

Health Insurance: Health insurance benefits are available to those with insurance coverage, their wives or husbands and dependent children and parents: those receiving old age and disability pensions and their wives or husbands, dependent children and parents; and survivors receiving pensions. Health insurance benefits cover expenditure on medical examinations, diagnosis, treatment and hospitalisation.

There is no unemployment benefit in Turkey.

23.3 Social assistance

Introduction

There are four main national public assistance schemes and two smaller ones:

- *Old Age and Disability Assistance Scheme (OAA)* established in 1976 and administered through the Civil Servants Pension Fund. It provides a monthly income and certain medical benefits to people over the age of 65 with no income, or who are between 18 and 65 years and have lost more than 70 per cent of their working capacity (permanently disabled), or between 40 and 70 per cent of their working capacity (disabled).
- *Social Assistance and Solidarity Scheme (SAS)* established in 1986. It provides cash and in-kind benefits to Turkish nationals and aliens who are

in need or who could become independent with minimum educational and training assistance.

- ® *Assistance for actors and musicians in financial need* established in 1986 and administered by the Ministry of Culture.
- *Green Card scheme* --. established in 1992 and administered by the Ministry of Health. This provides health care for those who do not have any social security and who are unable to afford health care. People who can show that their income is less than one-third of the net minimum wage are entitled to a green card. The scheme covers all health-care services except drugs consumed outside hospitals. The Ministry of Health reimburses state and university hospitals for the costs of Green Card treatments. The scheme was originally designed to be a temporary one until general health insurance is introduced.

The two smaller schemes are as follows:

- ei Provision of scholarships for students in need, plus cash and meals for others in need. administered on a discretionary basis by the Directorate General for Foundations
- ® Cash and benefits in kind to families and individuals without adequate incomes. distributed by the Directorate General for Social Services and the Protection of Children.

There are also private organisations and societies who provide social assistance. but there is no precise information on their activities.

In what follows we shall concentrate on the 1976 Old Age Assistance (OAA) and 1986 Social Assistance and Solidarity (SAS) programmes, since information is only available on these schemes.

Fahey objectives

The policy objectives of the social assistance schemes in Turkey are primarily the alleviation of need by extending benefits to people not covered by insurance schemes. Within the social security system as a whole, the role played by social assistance is a minor one.

The goal of OAA is to protect elderly people. and persons unable to work, who are in financial need. The goals of SAS are to assist persons that are in financial need. to strengthen social justice and to encourage social solidarity. 'Financial need' is defined in the regulations as 'having not enough income. property or other financial resources for oneself, a spouse_ children or parents who should legally be taken care of. under minimum standards of living in the environment where one exists'.

Administrative and regulator network

OAA is administered by *Emel li Sc ndii. a* national organisation connected to the Ministry of Finance. SAS is administered by a special Fund for Encouragement of Social Solidarity and Social Assistance, linked to the Prime Minister's Office and the Central Bank. Below this there are separate Foundations in each city of Turkey. The Board of Governors of each Foundation comprise the mayor. chief of police, the directors of finance, education. health. social services and religious affairs. plus three citizens.

General conditions of eligibility

The youngest age for the granting of social assistance varies according to the type of benefit applied for. Eighteen is the youngest age for cash assistance. with the exception of scholarship assistance. Eligibility- for OAA depends on age and disability.

Eligibility for SAS is based on the household comprising spouse, children under age 18 and elderly parents. However, elderly parents may be separately entitled to OAA. All children in the family can be included in a claim for social assistance. Children are considered to be dependent until they either get married (daughters), or reach the age of majority (sons) or, for students, until the age of 25. As cohabitation is not legally recognised in Turkey, there is no separate treatment of couples who live together without being married. Either partner in a couple may claim assistance. However, according to the Turkish Civil Code of 1926, the head of the household is the husband and it is thus legally more appropriate for him to claim.

Residence and nationality

Turkish nationality is a prerequisite for the granting of all social assistance benefits, except under the Social Assistance and Solidarity Scheme, which is available to immigrants, refugees and non-nationals. For example, Iraqi Kurds fleeing the Gulf War were eligible. OECD nationals who are resident in Turkey may, under certain circumstances, be entitled to social assistance benefits. As a party to the European convention on social and medical assistance and the European social charter, Turkey also aims to adhere to the requirements contained in these agreements regarding social assistance. Benefits are not portable to other countries.^M

Duration of benefit entitlement

OAA benefits are lifelong, or, in the case of disability, for as long as claimants are unable to work. The duration of SAS benefits is at the discretion of the Foundations (though subject to appeal - see below).

Availability for work

Recipients of social assistance in Turkey are expected to be seeking work. Disabled people must apply to a specialist agency. The SAS scheme authorises the provision of some equipment, such as a home-weaving machine, to enable an applicant to become productive. It is also possible for recipients to work and still receive benefits, if the income from work is still below an adequate level to meet basic needs. The self-employed are also able to receive benefits if they satisfy certain conditions of need.

Income and assets tests

The means tests are broadly similar for OAA and SAS. The claimants must be receiving no income from any social security organisation. With the exception of gifts, the net income of all family members living together and all other items, including assets, is taken into account for the calculation of benefit levels. Net income must be below the assistance benefit level: in effect, since this is so low, it must be close to zero. Benefits cannot overlap, although social assistance recipients are entitled to free medical services.

Benefit levels

Payments are made directly to the recipient and there is no liability for tax or national insurance contributions. Certain cash benefits are fixed at the national level by a formula which is also used to calculate the salaries of civil servants. This coefficient is multiplied by an index number in order to determine the amount of benefit that is payable. Uprating takes place every three months because of inflation. The same rates apply throughout the country, but benefits are considered to be very low.

Monthly rates of benefit for the old age assistance scheme in 1992 and 1993 were as follows:

| | 1992 | 1993 |
|---------------|------------|------------|
| Single person | TL 195.000 | TL 220.000 |
| Couple | TL 293.000 | TL 333.000 |

Using purchasing power parities, the single person's rate for 1993 amounted to approximately US\$40 or x,25 per month, while the couple rate was around US\$61 or f38.

No fixed rate exists for SAS benefits and there is no information available about average levels payable.

Fringe benefits and concessions

There is reduced price access to public transport, and plays and ballets at the State Company. for all citizens over 65. In addition OAA recipients, but not their children. receive free health care in state hospitals.

One-off and urgent payments

For emergency needs there is a lump-sum benefit that is available under the Social Assistance and Solidarity Scheme to Turkish nationals and aliens living in Turkey. This covers items such as health care expenses. funeral expenses. clothing, food. heating, school expenses. However, these payments are discretionary and are budget-limited.

Administration and the claiming process

Claims for social assistance can be made in person or by post. There are no special provisions for those who consider their first language to be other than Turkish. The first payment should be received within one month after the initial application and subsequent payments are made either every month or every three months. How payments are made depends on the wishes of the claimant. Recipients are expected to report any changes in personal circumstances that could affect their benefit claim, and there is no specific home-visiting service to check on claimant's circumstances, although the administration may make any checks that it deems appropriate.

Any- overpayment is recovered out of subsequent benefit payments and the recipient and his or her legal heirs can be made responsible for repayments. OAA recipients are issued with an identity card. Applicants themselves must provide evidence to verify their circumstances.

There is a process of administrative appeal available against decisions on social assistance. According to Article 125 of the constitution. 'Recourse to judicial review shall be open against all actions and acts of the administration'. Access to appeals is relatively straightforward and is regarded by official respondents as equitable. Claimants have the right to be professionally represented in appeal hearings. The administrative structures themselves are subject to state scrutiny.

The role of non-governmental organisations in social assistance

There are charitable organisations that provide help in both cash and kind to poorer people, but their role is minimal. They can be entitled to state funding depending on the services that they provide. Islamic organisations can also be important in providing financial support for local welfare bodies.

23.4 Housing assistance

There is no general system of rent assistance for low-income groups in Turkey. Housing assistance exists for government employees and some other public workers, but the value usually increases with the level of career advancement. Similarly, the National Housing Authority loans made to individuals, co-operatives and others for the purchase of houses are mainly utilised by middle and upper-

middle income groups. Housin^g Acquisition enacted in 1986, permits employers to deposit sums in a state bank to enable employees to buy homes with a small subsidy. The grants can only be used for dwellings below a certain size (75 square metres). and thus entail an element of targeting, but are modest in amount.

233 Expenditure on social assistance

There is no data available at present on expenditure on social assistance. OAA is funded from general taxation. while the SAS National Fund is financed from the state budget, income from traffic tickets, commercial activities and donations. Local City Foundations also receive monies from Islamic financial contributions. Total SAS Fund income in 1993 vv as TL 7.000 billion (around USS1.3 billion or £809 million). Expenditures on the Green Card scheme totalled TL 775 billion in 1993 and TL 1350 billion in 1994.

23.6 Claimant numbers

No data has been made available by the Turkish authorities on the numbers of people receiving the above assistance benefits. By the beginning of 1995 there were 3.5 million Green Card holders entitled to medical assistance.

23.7 Policy issues

There is little public discussion of poverty or the role of social assistance. The institutions that have been developed to protect the poor are not active at a political level to represent their interests. There is little public or political concern over take-up, incentives, fraud. or any of the other issues common in Western European countries (Gozavdin, 1994).

23.8 Recent and forthcoming changes

The Ministry of Health is proceeding with a new Act to provide the whole population with health-care services. It will enable anyone who is not covered by a social security programme to enroll as a member of the Health Financing Institution. The Act will obli^ge citizens to file an income statement, to determine both their eligibility- for the scheme and the amount of their contribution. When this law is enacted, some 20 million Turkish citizens will be covered for comprehensive health-care benefits. This would mark an extension of income testing in Turkey_ though within a scheme based on social insurance principles.

Apart from this, no other changes to social assistance are planned at present.

23.8 Overall performance

Turkey is a developing economy and its system of social assistance remains vestigial and discretionary, despite the advances marked by the introduction of a general safety net in the 1986 SAS legislation. This is especially so given the present patchy covera^ge of health-care insurance and the absence of any insurance-based unemployment benefit. It remains to be seen how far the new health care act will remedy the former problem. The lack of any statistical data on the numbers of recipients of assistance benefits also makes it difficult to assess its role within the wider social security system. The most notable limitations are. first. the discretionary nature of all assistance apart from the OAA programme and, second, the apparently very low benefits provided under any of the schemes. Against this should be set the fact that the major programmes are all national in scope and have procedural provisions for appeals.

Chapter 24 The United Kingdom

24.1 Background

Demography

The UK is one of the most populous countries in the OECD and the second largest in the European Union, with an estimated population of 58.3 million in January 1994 (Eurostat, 1994a). The fertility rate, at 1.82 in 1993, is a little above the EU average, but still below the replacement rate. Like many countries, the UK is facing a problem of ageing, though it started going through this process relatively early compared to most of Europe. In 1991 around 16 per cent of the population was aged over 64 and this has been projected to increase to 24 per cent by 2041, with the largest growth among the very elderly (DSS, 1991). However, while the support ratio (the proportion of people of working age to those over retirement age) is becoming less favourable, it is falling more slowly than in most EU and OECD countries (Hills, 1993).

The UK has both one of the highest rates of marriage and the highest divorce rate in the EU and European Economic Area (EEA) countries (Eurostat, 1994a). In 1992, just under 31 per cent of births were outside marriage, well above the EU average of 20 per cent but below France and all the Scandinavian countries except Finland. This is not necessarily an indicator of lone parenthood, however, since an estimated 50 per cent of extra-marital births are born to a cohabiting couple (Family Policy Studies Centre, 1994). Lone parenthood is, nevertheless, significant in the UK, with around 19 per cent of families with a dependent child headed by a lone parent in 1991. Comparisons are problematic because of different definitions, but Eurostat (1994b) has estimated that after Denmark the UK has the highest proportion of lone parents with a child under 15 in the EU. Lone parenthood is a controversial topic of policy debate in the UK, partly because of the very high proportion of lone parents receiving social assistance.

Employment and the economy

The UK was badly hit by recessions in both the early 1980s and at the end of the decade, and in each case recoveries have come without replacing all the employment lost. Unemployment figures are controversial, as critics argue that official statistics suggest lower unemployment than actually exists. OECD estimates put standardised unemployment at 10.3 per cent in 1993 - slightly below the EU average of 10.6 per cent, but well above the average for the OECD as a whole (OECD, 1994a). In spring 1994, unemployment as measured by the UK Labour Force Survey using the standard ILO definition, was 2.615 million, or 9.5 per cent of the workforce. Using broader definitions, including 'discouraged' workers who were not actively looking for work because they felt none was available, the figure could be closer to 3.6 million (Unemployment Unit, 1994). The official count of people unemployed and claiming benefit has been falling steadily since its peak in February 1993, but it is still higher than the low point in 1990 when the recent recession caused unemployment to rise.

Unemployment is particularly high among young people, affecting over 18 per cent of those aged 16-19 and 14 per cent of those aged 20-24 according to the ILO definition (Department of Employment, 1994). The proportion of the unemployed who were out of work for a year or more was estimated as 35.4 per cent in 1992, compared to an EU average of 42.2 per cent and 28.6 per cent for the OECD

countries. Participation rates in spring 1994 were 72.6 per cent for men and 53.1 per cent for women.

Political framework

Although the United Kingdom is made up of England, Wales, Scotland and the Province of Northern Ireland, politically it is a highly centralised state. One of the areas of political conflict and controversy over the recent decade has been between local and central government, and it is generally agreed that power has shifted decisively to the centre. This centralism is reflected in the social security system, which has long been national in all but a few minor aspects.

British politics is primarily a two-party system, as the electoral system does not favour coalition or consensus politics. The Conservative Government has been in power since 1979 and the present administration has a small overall majority in Parliament, with the main opposition being the Labour Party. The remaining seats are *held* by the Liberal Democrats. Northern Ireland Unionists and other nationalists.

24.2 The social security system

History

Most accounts of the development of the contemporary UK social security system begin with the Beveridge report (Beveridge, 1942). Subsequent legislation established a scheme of flat-rate national insurance contributions bringing flat-rate benefits for periods when earnings were interrupted or ended, together with family allowances for children (except the first), and a national assistance scheme as a fall back for those lacking insurance entitlements. The UK system has been substantially modified since then, however. It is described as 'liberal' in some welfare regime typologies (Esping-Andersen, 1990) and 'neo-conservative' in others (Mishra, 1990). A brief history of means-tested benefits is given below, but the most significant development has been their increasing importance in the social security system as a whole, with social assistance becoming a mass scheme instead of a residual safety net.

Flat-rate contributions and benefits were modified in the 1960s to become earnings-related, reflecting both growing aspirations and constraints on the financing of the scheme. Various non-contributory benefits were later introduced, mainly in the 1970s, first to give an income replacement benefit to those who had insufficient contributions, and secondly to compensate for various extra costs, affecting in particular sick or disabled people and their carers. This has probably been the most significant addition to social security provision since Beveridge. A long-term sickness benefit (Invalidity Benefit) and a more comprehensive State Earnings-Related Pension Scheme (with approved occupational schemes as an alternative) were also introduced. Family allowances were combined with child tax allowances to become Child Benefit and One Parent Benefit was introduced. The 1970s were therefore mostly a period of expansion.

The 1980s, by contrast, saw attempts to control the growth of expenditure and to refocus policy more towards 'targeting'. In 1980 the linkage between the uprating of pensions and other long-term benefits and earnings was broken and subsequent upratings have been related only to price rises (see Bradshaw and Lynes, 1995). Earnings-related additions to short-term national insurance benefits were phased out. National insurance contributions for employees were regularly increased in the 1980s -- but were also restructured at the lower end to make them more progressive. Qualifying conditions for contributory benefits were tightened, and proportionate benefits for those with partial contribution records were abolished, reducing the numbers entitled to them. The earnings rules for Unemployment Benefit *were* made more restrictive. Child dependency increases to short-term national insurance benefits were phased out and those for long-term benefits were reduced_

Controls on the unemployed have been successively tightened, with work-seeking requirements and penalties increased. The rights of young people under 18 to claim benefit independently were replaced by a guarantee of training and there were regular drives and new initiatives against fraud and abuse. Social security benefits for short-term sickness and maternity became employer-administered payments.

The Social Security Act 1986, which followed the social security review of the mid-1980s, restructured means-tested benefits and introduced phased reductions in the State Earnings-Related Pension Scheme. It also introduced incentives for people to move from public pensions into private schemes. The major impact of the Act, which was implemented in 1987 and 1988, was to shift the emphasis towards means-tested benefits and 'targeting' as a crucial social policy goal. Some improvements and extensions were made to some benefits over the 1980s (especially for carers) and take-up of disability benefits in particular improved significantly. Some expansion in the coverage of benefits also resulted from the implementation of the EEC equal treatment directive of 1979.

In the early 1990s, Child Benefit has been restructured, unfrozen and guaranteed to increase in line with prices. Benefits for the disabled have also been restructured, with the introduction of a cost-related Disability Living Allowance and the means-tested Disability Working Allowance (see below) - though falling short of the comprehensive disability income called for by campaigners. The *new* Child Support scheme, introduced in April 1993, aims to increase both the amount of child maintenance paid by parents and the numbers paying it. A new community care system was also introduced in April 1993, with some social security finance being transferred to the local authorities who assess individuals' care needs. But the principal issue is now the long-term public expenditure review, which includes social security as one of the main areas under examination, and has already resulted in plans to change benefit provision for both the long-term sick and disabled and for the unemployed. Another area under examination includes the rising costs of Housing Benefit.

Administration

Most benefits are administered by the Benefits Agency (BA) for the Department of Social Security. The BA is one of the largest agencies introduced under the Next Steps programme, designed to increase the efficiency of public administration. BA staff are civil servants and policy direction remains with the Department, but agencies have considerable autonomy in their operations, while working within nationally-defined performance targets. Computerisation of benefits administration has also developed significantly in recent years. Unemployed claimants must satisfy the Employment Service (which is an Agency of the Department for Education and Employment) that they continue to meet the benefit criteria, usually on a fortnightly basis. Once satisfied, the Employment Service authorises the payment of benefit, acting as an agent for the DSS. Local authorities administer Housing Benefit and Council Tax Benefit, but under national regulations. Administrative costs vary greatly for different benefits, with Unemployment Benefit (including the costs of applying the signing-on requirements), means-tested benefits and, especially, the discretionary Social Fund being the most expensive to administer.

Structure

It is still possible to discern a structure of social security benefits in the UK which corresponds to Beveridge's model -- that is, national insurance income-replacement benefits, with social assistance as a supplement or alternative. This structure, however, became overlaid with earnings-related benefits (now largely abolished), employer- and privately-provided supplements, and non-contributory benefits for income replacement and for special costs. The latter category is now important enough to be listed separately, and took up 17 per cent of planned expenditure for 1993-94, with contributory benefits taking up 49 per cent, means-tested benefits 29 per cent, and administration *five* per cent (DSS, 1994b)⁴⁰.

NB: these figures are for Great Britain only and do not include Northern Ireland.

General taxation provides over half the revenue for social security programmes as a whole, with employers' national insurance contributions providing around a quarter and employees' contributions about a fifth (DSS, 1994b). Total expenditure on social security in 1992/3 amounted to £74.1 billion (around US\$118 billion), or 12.3 per cent of GDP (DSS, 1993a).

The main contributory and categorical benefits are as follows:

- ® Retirement Pensions
 - Survivors Benefits
- S Sickness and Incapacity Benefits
 - Maternity Benefits
- S Child Benefit
- o Unemployment Benefit.

It is necessary to outline briefly the structures of pensions and Unemployment Benefit, as these are closely linked to the high level of receipt of means-tested benefits in the UK.

Retirement pensions are flat-rated, with entitlement based on having paid full national insurance contributions for a specified number of years during the working life. Reduced pensions can be paid in the event of insufficient contributions. There is also an earnings-related element (SERPS) which was introduced in 1975 and is only now maturing. Basic pension rates are only slightly above the personal allowances for the means-tested Income Support, which is the main social assistance benefit in the UK. In April 1993 the single person's pension represented 20.2 per cent of the gross average earnings of male manual workers (Bradshaw and Lyrics, 1995).

Unemployment Benefit (UB) is currently payable for one year during a period of interruption of employment. To qualify a claimant must have paid the appropriate national insurance contributions to the value of at least 25 times the lower earnings limit during one of the two tax years before the benefit year. After the one year it is possible to re-qualify for benefit if a claimant has worked more than 16 hours a week for at least 13 weeks in the following six-month period. Unemployment Benefit is also paid at a level close to that of Income Support, and many unemployed people with children claim means-tested benefits. Also, as unemployment has become increasingly long-term, more unemployed people whose entitlement to UB has expired are obliged to rely on Income Support. Reissert (1993) has estimated that in 1990 around 55 per cent of people officially unemployed in the UK were receiving insurance-based unemployment compensation - higher than the EU average -- but wage replacement rates for all household types were the lowest in the Union at the beginning of unemployment and the second lowest after two years of unemployment.

From October 1996 Unemployment Benefit is to be replaced with a new Job Seeker's Allowance, which will be available on a contributory basis for only six months, with payment rates aligned with those of Income Support.

24.3 Social assistance

Introduction

The main social assistance benefit in the UK is Income Support. This was introduced in April 1988, replacing the previous Supplementary Benefit. Income Support is designed to provide financial help for people who work less than 16 hours a week and whose net income falls below a set minimum level. In addition, there are a number of other assistance-linked, means-tested benefits, as follows:

^d GB Figures.

- *Family Credit*: for low-income working people with children
- *Disability Working Allowance*: for disabled people in work and with low earnings
- *Housing Benefit*: help towards rents for people on Income Support or otherwise on lower incomes
- *Council Tax Benefit*: help towards the tax raised by local authorities
- *the Social Fund*: mainly discretionary help with special or one-off needs.

These, and other concessions and reductions available to people on low incomes, are described in more detail later. The following sections refer principally to Income Support.

The historical development of social assistance

Income Support (IS) is the latest version of the main social assistance benefit in the UK. National Assistance, introduced in 1948, unified in one scheme a range of pre-war, means-tested payments made to specific categories of people. Changes in 1966 (when National Assistance became Supplementary Benefit) and in 1980, were aimed at reducing the scope of additional payments and establishing legal rights to benefit. Instead of being a residual scheme for a minority, as intended by Beveridge, post-War social assistance became a mass benefit, partly because many people could not qualify for contributory benefits, and partly because these flat-rate benefits were below family subsistence levels, particularly when housing costs were taken into account. By the mid-1980s there was also an increasing proportion of unemployed and lone parent claimants, as a result of economic and demographic change. The reforms of 1988 introduced a common basic structure of assessment and payments for all the means-tested benefits. The most radical structural changes involved the move from Supplementary Benefit, which included single payments for one-off needs, to Income Support and the Social Fund.

The traditional aims of social assistance in the UK have been related to its perceived 'safety net' role: as long as they fulfilled certain qualifying conditions, people should not be allowed to fall below a certain minimum standard of living, as set down by Parliament. But social assistance was designed to be (and generally was) perceived as less desirable than social insurance benefits following the Second World War, despite the abolition of the unpopular household means test in 1941. Benefit rates have also always been influenced by considerations of 'affordability' and the preservation of incentives to work, as well as by the goal of meeting needs. Other aims of means-tested benefits in general have included a desire to limit the level of resources devoted to social security, and the 'targeting' of benefits on the poorest/those most in need. Means-tested benefits have also been seen as a necessary accompaniment to the introduction of more market-oriented policies - an alternative to general price subsidies and controls (in housing, for example) or a safeguard for families with children in a flexible labour market (Family Credit). These benefits have assumed an increasingly central role in the social security system: their importance was emphasised in a major review carried out in the mid-1980s which was devoted mainly to integrating and simplifying the main benefits. Currently nearly one-third of the social security budget is spent on them, compared to one-tenth in 1949.

Legislation and policy objectives

Income Support is currently governed by the Income Support (General) Regulations 1987 and the Social Security Administration Act 1992. The policy objective is stated as to provide financial help for people who work less than 16 hours a week and whose income is below a set minimum level, thus ensuring a basic safety net for people on low income.

Administrative and regulatory framework

The basic framework of social assistance benefits in the UK is regulated by law, though with *some* discretionary elements (and *some* operational decisions made by

officials 'on behalf of the Secretary of State'). Until 1980, the additional weekly payments and one-off grants for Supplementary Benefit claimants were discretionary. They were then made a legal entitlement. From 1988, however, a distinction was made between certain specified one-off payments, which remained a legal right, and most one-off grants and loans, which became discretionary. All paid from the Social Fund.

The administration of social assistance in the UK is largely carried out by the Department of Social Security and, since 1991, through the Benefits Agency (BA) via its district offices. This applies to Income Support and the Social Fund. Payments of Income Support to the unemployed are usually made by Employment Service officials, acting as agents for the DSS. Family Credit and Disability Working Allowance are administered by the BA, but by post via special units.

Housing and Council Tax Benefits are administered by local authorities, but within a national legal framework. Health benefits are administered centrally by the Benefits Agency, and other benefits are administered by local education authorities under their own rules (free school meals have been limited by regulation since 1988).

Policy is the responsibility of government ministers and the DSS. Other government departments are also involved in policy in some areas.

General conditions of entitlement

The main conditions of entitlement for Income Support are that the claimant or partner must not be working more than 16 hours per week; assessable income must be below the specified 'applicable amounts'; capital must not exceed €8,000; and unemployed claimants must be available for and actively seeking employment.

In theory an independent claim for Income Support can be made from the age of 16 onwards. There are special rates of benefit for people aged 16-17, which are lower than for older people. In practice, most single childless *young* people of this age cannot claim if they are unemployed, since there is a guarantee of a Youth Training scheme place, with an allowance for those who are neither in work nor education. (Young people living independently may be able to claim Income support as a top-up to their youth training allowance.) Those between jobs or youth training places may get a 'bridging allowance' (not a social security payment) for up to eight weeks at a time. Those *not* entitled to Income Support under the normal conditions can apply for a discretionary payment to prevent 'severe hardship' (of themselves or their family). This is an area of some controversy in the UK, with groups campaigning on behalf of young people arguing that training placements are often unavailable or unsuitable and that the policy has contributed to an increase in youth homelessness.

People under 19 and on an 'advanced' course, or 19 or over and on a full-time course, are treated as students and are not usually entitled to claim Income Support for the duration of the course (including holidays). Those on a course of no more than 21 hours per week, and who fulfil certain conditions or can prove that they are available for work, can claim. Most full-time students cannot claim Housing Benefit and those who can, are subject to additional rules. Students are liable for council tax, but often do not have to pay the full amount (if they live in student accommodation, for example). Most full-time students cannot get Council Tax Benefit.

Workers on strike or involved in a trade dispute, or affected by one, cannot usually claim Income Support for themselves, although they can claim for dependants, and will be assumed to be receiving a certain amount of strike pay. They can only claim for themselves if they can prove that they have no 'direct interest' in the dispute, or if they become ill during the strike, are pregnant or have just had a baby. People laid off and on short-time working can claim Income Support if their normal working hours are now below 16 per week and they are available for and actively seeking work for the rest of the week.

Residence and nationality

Entitlement to Income Support is usually limited to people resident in Great Britain (or Northern Ireland), although it may be available for up to four weeks abroad in some cases where the claimant is not required to be available for work (such as older or disabled people), and up to eight weeks if a child is being taken abroad for medical treatment. Otherwise it is not portable.

Entitlement also depends on immigration status or citizenship. People with a 'right of abode' in the UK are eligible for full Income Support. This includes British citizens; some Commonwealth citizens if they have a parent born in the U.K.; and women who are Commonwealth citizens and who were married before 1983 to men born in the UK. or who were registered or naturalised as British. or who are Commonwealth citizens with a parent born in the UK. People subject to immigration control may still have full entitlement if they are legally 'settled' in the UK and have indefinite leave to remain.

European Economic Area (EEA) nationals who are exercising their *rights* under the Treaty of Rome to seek work, or to provide or use a service, should be able to claim Income Support, at least for the first six months and possibly longer. Those who have been 'workers' in the UK already are entitled to Income Support for as long as they satisfy the normal conditions of entitlement. People with 'limited leave' - often from outside the EEA and with a restriction on the time they can stay in the UK or on taking employment -- are not entitled to claim if they are admitted on condition that they will not have 'recourse to public funds' (unless they are citizens of Malta, the Republic of Cyprus or Turkey, who are covered by international agreements). This also means that they are not allowed to claim Family Credit, Housing Benefit or Council Tax Benefit. They may be able to claim 'urgent cases payments' of Income Support at a reduced rate in some circumstances.

Refugees recognised as such under the United Nations Convention are entitled to Income Support on the same basis as British citizens. Asylum seekers are not required to satisfy the normal conditions of entitlement. but can only claim 'urgent cases payments' at a reduced rate while their application is being processed, with all their income and capital taken into account.

From 1 August . 1994, the Government introduced a 'habitual residence test', which affects entitlement to Income Support, Housing Benefit and Council Tax Benefit. The habitual residence rules apply to claimants unless they are a 'worker' in the EU definition or a person with a right to reside in the UK under certain EU directives; accepted as a refugee; someone with exceptional leave; someone without support from abroad on a temporary basis only; someone subject to a deportation order but whose removal has been deferred; and someone who is an illegal entrant but has subsequently been allowed to stay. 'Habitual residence' (within the 'common travel area' of Britain, Ireland, the Isle of Man and the Channel Islands) means satisfying certain tests, including the stability and nature of any employment, where someone's 'centre of interests' is and what their intentions are. Someone who fails this test, including British citizens, will be treated as a 'person from abroad' and may be refused benefit, but may be able to get urgent cases payments.

Ethnic background and country of origin are not recorded in the administrative statistics collected and published by the Department of Social Security, so there is no official information available on the percentage of Income Support claimants who come from particular minority ethnic groups.

Duration of benefit entitlement

As long as the claimant continues to fulfil the conditions of entitlement, there is no time limit on the receipt of Income Support.

People who claim Income Support (but not their partners) have to be available for work and actively seeking it, unless they are exempt from this requirement. The exceptions are lone parents (whose youngest child is aged under 16 or under 19 and in full-time education) and some others temporarily in a similar situation; those incapable of work because of illness or disability; those aged 60 or over (or aged 50-59 on the basis of past employment experience, they have no prospect of getting a full-time job); women from 11 weeks before the expected week of the birth of their baby and for up to seven weeks after the birth; and people responsible for someone who needs substantial care because of an illness or disability which results in them receiving Disability Living Allowance or Attendance Allowance.

'Availability' means available for jobs of 24 hours per week or more (except for certain disabled people). There must be a reasonable prospect of the claimant obtaining the kind of work they say they are available for: this means that they must not place unreasonable restrictions on their availability. They must be able and willing to accept a job which is offered -- usually immediately if necessary. 'Actively seeking employment' can include being expected to apply for jobs advertised at the Job Centre, to look for and answer newspaper advertisements, and to make enquiries of employers and other contacts. Claimants are usually required to show that they have taken at least two such 'active steps' each week, and may be asked to prove this. The process of 'signing on' (usually once a fortnight, but more often if a claimant is under suspicion) is a confirmation that the claimant is available for and actively seeking employment.

Claimant advisers interview claimants at the start of their claim, and can then interview them again at any stage, to check that they are available for and actively seeking employment. Under the Restart scheme, claimants are interviewed every six months, and it is compulsory to attend a Jobplan workshop or Restart course if one is suggested after unemployment of a year or more (with benefit reduced for the duration of the course if a claimant refuses to attend and is not considered to have a good reason).

If a claimant is found to be available for work but not actively seeking it, they cannot get Income Support. If they are not available for work for what is seen as a justifiable reason, they may be able to get a hardship payment instead, if otherwise they or their family would suffer hardship. This means that benefit is reduced by the 'voluntary unemployment deduction' (40 per cent of the adult personal allowance, or 20 per cent under certain conditions). This deduction can also be made for up to 26 weeks if someone refuses to apply for, or take, a suitable job offered by the Employment Service without a good reason. The same deduction is also applied to people who are found to have left their jobs voluntarily without good cause, or because of their own misconduct.

There are no formal arrangements for 'integration contracts' in the UK Income Support system. Leaving aside Youth Training, there are several different government training schemes for unemployed people. None of them is compulsory in theory, but in practice refusal to attend might be interpreted as evidence that a claimant is not available for, nor actively seeking, work. People on a government training scheme such as Training for Work usually receive the benefit they were entitled to prior to the course (Unemployment Benefit or Income Support) plus a £10 per week premium, and they do not have to 'sign on'. The payment continues to be treated as Income Support for those previously claiming it, in order to preserve entitlement to 'passport' benefits (see 3.8 below), and the £10 premium is disregarded in calculating entitlement to all the main means-tested benefits. There are a few other smaller government schemes (for example, Community Action and Work Trials), which can be combined with benefit receipt but these only affect small numbers. People on the Learning for Work scheme do not receive the £10 premium.

Most people working 16 hours a week or more, or who have partners who do so, cannot get Income Support. This was changed in April 1992 from 24 hours a week but will be changed back to 24 hours, for the partners of unemployed people only,

from October 1996. There are exceptions, including some disabled people with low earning capacity. child minders, volunteers, local authority councillors, carers and foster carers. The hours of *work* are averaged out for those working irregular hours, and for those working school terms only they are averaged over the year. Most people required to be available for and actively seeking work as a condition of getting Income Support also have to continue to fulfil these conditions while working. People working more than 16 hours per week who have dependent children may be able to claim Family Credit instead.

Self-employed people are also subject to the 16-hour rule. Work done in the expectation of payment counts, whether or not payment is actually received. Earnings are calculated over a year (or another period if this is more accurate) and various expenses may be set against the earnings.

The benefit unit

The benefit unit for Income Support and all the other means-tested benefits is normally made up of an adult living alone or independently within a larger household, a couple living together as 'man and wife' (whether married or not), or either of these with dependent children. The factors taken into account in considering whether a couple are living together include the stability of the relationship, financial support, whether there are children, and public acknowledgement of the relationship. Decisions are not meant to be made on the basis of one factor alone (for example, the sexual relationship). Two people of the same sex living together as a couple do not count as a single benefit unit. An adult non-dependant can claim independently.

Children are normally defined as 'dependent', and therefore included in a benefit unit, up to the age of 16, or up to the age of 19 if they are receiving full-time, non-advanced education. Only one person can receive an income Support personal allowance for a child. Children living with the person making the claim to benefit and for whom that person is responsible can be included in the claim. Where it is not clear who is responsible, the person receiving or entitled to Child Benefit is usually treated as being the responsible person. Foster children are treated differently: the person claiming benefit will not be treated as 'responsible', and therefore cannot get Income Support for the children, if they are being fostered on behalf of a local authority (but privately fostered children can be included in a claim).

Income and assets tests

Most income of the benefit unit is taken into account in full in the means test, with the exception of certain benefits which compensate for additional costs for disabled people and special war pensions, interest payments on savings (which are ignored - but see below, on 'tariff income'), and some earnings. The social security benefits and other public payments which are not taken fully into account include the following:

- Attendance Allowance -- disregarded in full except for people in residential care
- S Disability Living Allowance - care and mobility elements disregarded in full except for people in residential care
- war widows' special payments - disregarded in full
- S gallantry awards -- disregarded in full
- S payments to disabled people from the Independent Living Fund -- disregarded in full
- S payments from trusts set up for people who have contracted HIV/AIDS - disregarded in full
- Christmas bonus -- disregarded in full
- Civilian War Injury Pension --- £10 disregarded
- o War Disablement Pension (also War Widows' and Orphans' pensions) - £10 disregarded

- Civil List Pensions - £10 disregarded
- payment to victims of Nazi persecution -- E10 disregarded.

Alimony and child maintenance payments are counted in full as earnings for Income Support (though partial disregards now exist for some other means-tested benefits). Child Benefit and One Parent Benefit are also counted in full.

Earnings are taken into account after the deduction of any income tax and national insurance contributions, and half of any contributions towards a pension. Since April 1988 it has not been possible to offset work expenses (travel to work, child-care costs) before earnings are taken into account. The standard disregard on earnings for Income Support is £5 per week (around US\$8) per individual or per member of a couple, but a higher disregard of £15 applies to lone parents, couples under 60 who have been getting Income Support for two years or more, carers receiving the carers' premium, single people or couples entitled to the disability premium or higher pensioner premium, and a few categories of reserve/emergency workers. Children's earnings are usually wholly disregarded, and even when taken into account only count against the benefit payable for that child - as does any other income the child has.

Special rules for Income Support apply to child minders' earnings, and to income from sub-tenants and lodgers. For child minders, only one-third of their earnings is counted as income after deducting any tax and national insurance.

Assets are usually taken to include cash, money held in accounts, and the net market value of land or property (except a dwelling owned and occupied by the claimant as his/her home). Capital held by couples is added together. The first £3,000 (US\$4,800) of capital is ignored. Capital between £3,000 and £8,000 is taken into account by making a deduction from benefit of £1 for every £250, or part of £250, over £3,000 (often called a 'tariff income'). Capital of more than £8,000 (US\$12,700) excludes the owner from Income Support entitlement altogether. The value of personal possessions is usually ignored, as are certain forms of capital such as the surrender value of life insurance policies. Property which is not occupied is usually counted as capital, with some exceptions (including a six-month period when someone is trying to sell it). If dependent children have more than £3,000 of capital their parents do not receive any benefit for them.

If someone is judged to have disposed of property or assets in order to be able to claim benefit, they *are* treated as still being in possession of that capital. This may result in exclusion from benefit, though a 'diminishing capital rule' should be applied, so that the capital exclusion is not indefinite.

For Income Support, any income or increases in income (after appropriate disregards) are taken into account pound for pound, that is at a withdrawal rate of 100 per cent.

Benefit levels

There has been no recent official enquiry into what constitutes a minimum living standard for different family types in the UK. Governments have argued recently that a 'basket of goods' approach to setting benefit rates is inappropriate as it appears to dictate to families how they should spend their money. Benefit rates for Income Support were set partly on the basis of the previous Supplementary Benefit scheme and on research into how different family types managed on these rates. But governments in the UK have always also taken into account work incentives and the financial constraints on total public expenditure when setting social assistance rates. The Department of Social Security says that 'the current Income Support rates are not the result of any single calculation or historic set of rules' (DSS, 1994a). Income Support rates form the basis for the other means-tested benefits.

Uprating of benefits generally takes place annually in November for April payments. Since 1983, they have been uprated on the historic rather than the

forecasting method (based on past movements in the price index rather than by predicting future movements). In 1982 the Government started to use the retail price index minus housing costs (the 'Rossi index') as the index for uprating means-tested benefits, on the basis that allowances were given separately for housing costs. There have been various adjustments to the composition of this index, the latest including the addition of water and sewerage charges. The relationship between non-means-tested and means-tested benefits therefore fluctuates from year to year, leaving aside any deliberate policy decisions (see Bradshaw and Lynes 1995 for a discussion of the impact of uprating policies). The linking of all the main means-tested benefit rates since 1988 has also meant that it is difficult for governments to uprate different benefits by different percentages, except for specific additions. Disregards, capital limits and other elements of the Income Support rates are not usually uprated regularly in the same way as weekly benefit rates, and may remain frozen for several years at a time.

The weekly rates (or 'applicable amounts') for Income Support are composed of two elements: personal allowances, including age-related allowances for dependent children, and premiums for particular groups. Converted for comparison with other countries into calendar-monthly amounts, the sterling rates for April 1993 and April 1994 were as follows, with the 1993 values in US dollars, adjusted by purchasing power parities (Table 24.1):

Table 24.1: Income Support rates, April 1993 and 1994

Income Support rate applicable amounts

| Personal allowances | 1993 £ pm | 1993 \$ pin | 1994 £ pm |
|---|--------------|----------------|--------------|
| Single person | | | |
| under 18 (normal rate) | 114.62 | 183 | 119.17 |
| under IS (in some circumstances) | 150.80 | 240 | 156.65 |
| aged 18-24 | 150.80 | 240 | 156.65 |
| aged 25 or over | 190.67 | 304 | 198.03 |
| Lone parent | | | |
| under 18 (normal rate) | 114.62 | 183 | 119.17 |
| under 18 (in some circumstances) | 150.80 | 240 | 156.65 |
| aged 18 or over | 190.67 | 304 | 198.03 |
| Couple | | | |
| both under 18 | 227.07 | 362 | 235.95 |
| one or both 18 or over | 299.00 | 476 | 310.70 |
| Dependent children | | | |
| under 11 | 65.22 | 104 | 67.82 |
| aged 11 to 15 | 95.98 | 153 | 99.67 |
| aged 16-17 | 114.62 | 183 | 119.17 |
| aged 18 | 150.80 | 240 | 156.65 |
| <i>Premiums (paid in addition to personal allowances)</i> | | | |
| <i>Family</i> | 41.82 | 67 | 43.55 |
| Lone parent | 21.23 | 34 | 22.10 |
| Pensioner (aged 60-74) | | | |
| single | 74.97 | 119 | 79.08 |
| couple | 113.75 | 181 | 119.38 |
| Enhanced pensioner (one or both aged 75-79) | | | |
| single | 53.63 | 133 | 88.18 |
| couple | 125.67 | 200 | 131.70 |
| Higher pensioner (one or both aged 80 or over, receiving disability premium before age of 60, or 60-79 and receiving qualifying disability benefit or registered blind) | | | |
| single | 102.05 | 163 | 107.03 |
| couple | 146.03 | 233 | 152.97 |
| Disability | | | |
| single | 79.95 | 127 | 84.28 |
| couple | 114.62 | 183 | 119.17 |
| Severe disability | | | |
| single | 146.03 | 233 | 148.63 |
| couple (if one qualifies) | 146.03 | 233 | 148.63 |
| couple (if both qualify) | 292.07 | 465 | 297.27 |
| Disabled child | 79.95 | 127 | 84.28 |
| Carer | 51.78 | 82 | 53.73 |

Some premiums are cumulative, so that lone parents receive both their premium and that for a family, whereas others are mutually exclusive. Thus, for example, in April 1993, a lone parent aged 25 with two children under 11 years would have received £384.46 per month (around US\$612). while a single pensioner aged 76 would have received £292.72 (US\$466).

There is no discretionary or geographical variation in normal benefit rates in the UK. The only geographical variation comes in the special cold weather payments which are automatically 'triggered' by weekly periods of freezing temperatures at selected weather stations.

The total benefit amount is paid to the claimant (rather than being, for example, split between the claimant and partner). Any progress made on the European draft directive on individually-based benefits may revive a debate on this question, but it is not a subject of concern in official circles at present.

Other assistance-linked, means-tested benefits and services

Apart from Housing Benefit, which is described below (24.4), the other assistance-linked means-tested benefits are:

1. Family Credit
2. Disability Working Allowance
3. Council Tax Benefit.

Family Credit plays a major role in the current Government's policy strategy of 'targeting benefits on those most in need', while aiming to improve incentives for people to move off benefits into work. It replaced, in 1988, a similar but more limited benefit called Family Income Supplement (FIS). FIS was introduced in 1971 in response to pressure for a (more costly) increase in universal family allowances. It was based on gross income, however, and so sometimes led to a 'poverty trap' in which a wage increase could result in an even greater loss of benefit. Family Credit is based on net income and goes further up the income scale. Originally the Government planned to pay Family Credit via the paypacket to the main wage earner, in order to highlight the existence of state help to the low paid, but public opposition forced it to revert to the previous system of paying it, like Child Benefit, to the person primarily responsible for children, usually the mother.

Family Credit is available to people working (either employed or self-employed) for at least 16 hours per week, with one or more dependent children. This minimum number of hours was reduced from 24 to 16 in April 1992. The rates of benefit are related to those of Income Support. A maximum amount of benefit, which depends on hours of work and the number and ages of children, is reduced by 70 pence for every £ f of net income above the threshold. The first £ 15 per week of any child maintenance received is disregarded. Child Benefit and One Parent Benefit do not count as income; but the calculation of the child credit rates by the Government in fact takes into account the level of Child Benefit. The capital limit is £8,000 - the same as for Income Support. Family Credit is tax-free. It acts as a 'passport' to some other benefits. One important feature, which distinguishes it from most other means-tested benefits, is that assessments are carried out only once every six months. Changes in income or other circumstances during this period do not affect entitlement until a new assessment is made. July 1995 saw the introduction of a £10 premium in Family Credit (and Disability Working Allowance) for people working 30 hours per week or more. This is expected to be of benefit to around 345,000 people.

In 1994, Family Credit was paid to over half a million families with more than a million children, at a cost of over £1 billion, and the average payment was £46 per week (around US\$73) (House of Commons, *Hansard*, 19/7/94. Written Answers, cols. 198-9). In 1991, on average, lone parent families were estimated to be £30 per

week and couples £18 per week better off on Family Credit than on Income Support (Marsh and McKay, 1993).

Disability Working Allowance (DWA) is similar in structure to Family Credit but it is available to single people and childless couples as well as to families with children. Entitlement depends on being currently or recently in receipt of a sickness or disability benefit, and the disability must put the claimant at a disadvantage in getting a job. The means test is broadly the same as for other means-tested benefits, but the capital limit is £ 16,000, and the 'taper' for income above the threshold is 70 pence for every £1, like Family Credit. Initially DWA claimants did not, unlike Family Credit claimants, have automatic entitlement to free prescriptions and other health benefits and had to apply separately on the grounds of low income. This has been changed, however, but only for people with less than £8,000 capital. DWA is tax-free.

DWA has only been in existence since April 1992 and has so far resulted in only a few thousand successful claims - far fewer than estimated by the Government - but many unsuccessful ones. It was seen as an alternative to a non-means-tested 'partial capacity benefit', for disabled people who can work but whose capacity to do so is reduced by their disability.

Council Tax Benefit is the latest version of means-tested help with local taxation, which replaced the national rate rebate schemes introduced in 1967. The most radical change in these compensation schemes was the introduction of a minimum liability even for the poorest individuals of 20 per cent of the Community Charge (or 'Poll Tax') which replaced the rates in 1989 (Scotland) and 1990 (England and Wales): it was never introduced in Northern Ireland. An average amount for compensation was built into the new means-tested benefit rates from 1988 and remained in the Community Charge Benefit scheme until this tax was replaced again by the Council Tax in April 1993. Full rebates were reintroduced for those receiving Income Support and the compensation was not clawed back. The structure of the benefit is basically the same as Housing Benefit, except for some complex formulae to compensate small households, since the tax is based on the value of the dwelling.

Since October 1994, people with a child under 11 who claim Family Credit, Disability Working Allowance, Housing Benefit or Council Tax Benefit have been able to offset child-care costs of up to £40 per week (US\$64) against their net earnings when assessed for benefit. This applies to lone parents, couples where both parents are working or couples where one parent is working and the other is incapacitated. It is only available where the parents use formal child care, including day nurseries and registered child minders. The Government has estimated that 100,000 families already in work will benefit and that 50,000 will be encouraged into work. There will continue to be no disregard of child-care costs for people on Income Support: a recent case, taken to the European Court of Justice on behalf of a lone parent alleging that this was contrary to the EU's equal treatment directives, was unsuccessful.

It could also be argued that the new system of child support in the UK is linked to social assistance, since the calculations of the amount of child maintenance payable are based on Income Support rates, and the scheme makes use of a complex means test. However, it is not directly part of the social security system -- although it is the policy responsibility of the DSS, and officers of the Child Support Agency, which administer the child support scheme, are located in Benefits Agency offices.

One-off and urgent payments

Income Support is intended to meet all day-to-day living expenses. The policy trend in recent years has been away from payments to meet specific costs, towards a global sum which claimants are meant to spend according to their own priorities. This was in part the result of moves to simplify the social assistance system (and

therefore to do away with, for example, payments towards home maintenance and insurance costs for owner-occupiers and work expenses for earners). But it also seems to have resulted from a reaction against what the Government perceived as the paternalism of earmarked sums (as, for example, in the previous single payments system of one-off grants). Instead, budgeting loans were said to be a way of lessening dependence on the benefit system for extras. This was not pursued to its logical conclusion in some areas, however, particularly where children were concerned. Thus free school meals for children of families on Family Income Supplement were replaced by a compensation package within the Family Credit rates in 1988, but they were retained for the children of families on Income Support.

Some payments of Income Support are called urgent cases payments. They are available to certain groups who do not fulfil the ordinary rules of entitlement to IS (for example, 'people from abroad' or people who are due money but have not yet received it). Urgent cases payments are made at a reduced rate, but are still counted as Income Support and therefore attract passported benefits. Most income and capital is taken fully into account in the calculation.

Other one-off or urgent payments come under the Social Fund. This was set up in 1987/88 as part of the social security reforms. It is in two parts. The first part covers payments for maternity needs (a fixed sum of £100), funeral needs (a variable payment depending on costs, which is recoverable from the estate) and cold weather payments. Maternity payments are for women on Income Support, Family Credit and Disability Working Allowance. Funeral payments are for people on Income Support, Family Credit, Disability Working Allowance, Housing Benefit and Council Tax Benefit. Cold weather payments are for certain vulnerable groups on Income Support only. Maternity and funeral payments are reduced by the amount of any capital over £500 (or £1,000 if the claimant or their partner is 60 or over), but there is no capital limit for the cold weather payments. This part of the Social Fund is governed by regulations: there are no cash limits and there is a right of appeal.

The other part of the Social Fund is discretionary: those asking for payments are therefore usually known as applicants, rather than claimants. It is strictly budget-limited, with an annual allocation to each district which must not be exceeded. 'High priority' cases must always be met, but there is no national definition of what constitutes high priority. There is no right to an independent appeal. Instead there is a right to a review of decisions by Social Fund Officers and a further review by independent Social Fund Inspectors, whose decisions do not create binding precedents. It is operated at district office level, but governed by the Social Security Contributions and Benefits Act 1992, national directions which are legally binding on Social Fund Officers, and guidance (national and local), which is not legally binding. Applications for review, and recovery by deductions from benefits, are covered by regulations. With the exception of crisis loans, the capital limits are the same as those for maternity and funeral expenses. Some items are excluded by the directions - especially those for which other organisations (local authorities, for example) have the power to make provision. There are three types of discretionary Social Fund payment:

- *crisis loans* - interest-free loans (payable by post office girocheque) available to anyone in an emergency (not just those on Income Support). In most cases, the loan must be the only means by which serious damage or serious risk to the health or safety of applicants or members of their family can be prevented. Repayment usually takes place over a maximum of 78 weeks and may be at a rate of 5-15 per cent of the applicable Income Support amount excluding housing costs, depending on what other 'continuing commitments' an applicant has, with 25 per cent as a suggested maximum. Repayment is most often made by direct deductions from benefit (including benefits other than Income Support).

- *budgeting loans* - interest-free loans to meet important intermittent expenses for which it may be difficult to budget, available only to people who have been receiving Income Support for at least 26 weeks. There are minimum and maximum limits on amounts. High priority items include essential furniture, household equipment and bedclothes. The guidance on repayments is the same as that for crisis loans. Any capital over £500 (or £1,000 if the claimant or partner is 60 or over) reduces the payment by the same amount.

Both budgeting and crisis loans can be for lower amounts, or refused altogether, if it is thought that someone cannot afford to repay them. There has been increasing concern about the problem of multiple indebtedness to the Social Fund among people with more than one loan outstanding (National Audit Office, 1991).

- S *community care grants* -- non-repayable grants for people receiving Income Support (or likely to receive it on leaving residential care), to help them remain in the community; or to live independently in the community following institutional or residential care; or to relieve 'exceptional pressures on families'. Payments can also be made to help people caring for prisoners or young offenders on temporary release, and for travel expenses (such as to visit a relative in hospital or to attend a relative's funeral). The Secretary of State's guidance suggests priority groups and items/expenses for grants, but these are not placed in order of priority and the list is not exhaustive.

Insurance contributions and credits

People receiving Income Support do not usually have to pay national insurance contributions in order to maintain their records. If they are signing on as unemployed, are certified incapable of work, or are in various other situations, they are credited with the equivalent of paying contributions at the level of the lower earnings limit. Such credits can help towards fulfilling one of two conditions for certain contributory benefits. People receiving Income Support but not required to sign on for work, such as lone parents, married women looking after children and people caring for a disabled person, may be entitled to 'home responsibilities protection'. This means that each year of home responsibility is disregarded within the total number of years of contributions necessary to qualify for a full basic pension.

Fringe benefits and other concessions

Children in families receiving Income Support can get free school meals. Children under five, expectant mothers and some nursing mothers on Income Support are also entitled to free milk and vitamins. All members of families receiving Income Support and Family Credit receive free NHS prescriptions for medicines, dental treatment and eyesight tests, help with other optical costs, travel to hospital for treatment, and certain other medical items. Other people on low incomes can apply for means-tested help with these costs.

Some local education authorities also give means-tested help with the costs of school uniforms, and they have the power to provide educational maintenance allowances for children aged 16-19 staying on at school. Children from families on Income Support or Family Credit should also not have to contribute to charges for school activities. In some areas people on low incomes can also get a range of concessions or price reductions for the use of local transport, leisure and sports facilities, but this is at the discretion of the local authority.

Although local authority social service departments may target some of their provision towards people or families receiving Income Support, there is no direct link between benefit receipt and social work services, unlike in a number of other European countries.

Administration and the claiming process

Income Support is generally claimed by post. The claimant fills in details on a comprehensive postal claim form and sends it to their local Benefits Agency office. Unemployed claimants must contact their nearest Job Centre and register as unemployed, when they should be given a claim form. People apply in person for urgent cases payments, or urgent Social Fund payments. A home visiting service is available, but is not often used now because of the cost. Income Support claims are not usually renewed, but normally have to be started afresh each time a claim is broken for some reason. Claimants have to report any change in circumstances *which* affects their entitlement to benefit. The Benefits Agency now has a set of published performance targets, which include dealing with specified percentages of claims within time limits.

Income Support can be paid via an order book or a girocheque to be cashed at the post office. In general, short-term claimants are paid by girocheque and long-term claimants by order book. People can also be paid by credit transfer into their bank account. but this is a recent development. Payments are made in arrears to most claimants, either every week or fortnightly.

Direct payment of the element of Income Support which goes towards mortgage interest payments (see below) is usually made to the lender. rather than via the claimant -- except during the first 16 weeks of a claim. Amounts can also be deducted from Income Support for other housing costs, fuel, water charges, the repayment of Social Fund loans, arrears of Council Tax, payment of child maintenance, fines and overpayments of benefit.

Claimants can also ask to have direct payments made to clear debts. There are conditions as to the deductions that can be made at the instigation of a third party. For rent arrears, for example, the claimant and his/her family must have not paid full rent for at least eight weeks and a deduction must be in their 'overriding interest'. For fuel and water, payments can include amounts for current consumption as well as debts. Most payments are a fixed amount. If there are several debts, there is a maximum of three times the fixed amount per item (plus current consumption and excluding poll tax arrears). If the payments are for housing, fuel and water, the combination of payments for debts and current payments must not exceed 25 per cent of the Income Support total, excluding housing costs, without the claimant's consent. There is a priority list for payments of debts when they exceed the limits.

Overpayments of Income Support have to be repaid where this occurred because another benefit was delayed. For all other overpayments, repayment should only be required where there has been misrepresentation or failure to disclose a material fact by the claimant. Repayment can be by deductions from benefit, instalments, or a lump sum, and can be deducted from certain other benefits as well as Income Support. The maximum weekly deduction for repayment is higher in cases of fraudulent claims. In other cases, social security law says that repayment should be voluntary only. though the Benefits Agency may sometimes try to recover other overpayments, relying on common law principles.

A recent study found that the volume of direct payments trebled between 1991 and 1993, mainly as a result of community charge (poll tax) arrears (Mannion *et al.*, 1994). The most common reason for deductions from benefit was for the recovery of a Social Fund loan.

The Government currently places great emphasis on controlling and detecting fraud. The Benefits Agency describes its approach as combining prevention (minimising opportunities for fraud and abuse via improvements in technology, payment methods and identification requirements), deterrence (prosecuting offenders and recovering money overpaid) and detection (investigations resulting in withdrawal of benefit claims) (DSS. 1994a). Much detection work is said to rely on

anonymous tip-offs from the public. Calculations of benefit savings from anti-fraud work use a 'multiplier' to estimate the number of weeks' benefit saved, which has been challenged as misleading, since there is little evidence to say how long fraudulent claims would be likely to continue. Claimants can be prosecuted, as well as having to repay benefits.

Homeless people without a residential address still have a right to benefit; but this is limited to the personal allowance for the individual or couple (not children), without any premiums. Payment can be by giro or order book. but some claimants may have to collect their money in person *either* daily or weekly. The first payment may have to be a crisis loan from the Social Fund, to tide them over. People in board and lodgings or hostels should get their personal allowances and premiums in full, with Housing Benefit to cover their charges.

Most decisions are taken by adjudication officers and carry a right of appeal (there is no appeal against decisions 'taken by the Secretary of State', other than through the process of judicial review). On receipt of an application for appeal, the district office should first review the decision within the office to assess whether it *should* be changed. Appeals must be made within three months of a decision and are heard by independent Social Security Appeal Tribunals, which have three members each, including a legally-qualified chair. A *further* appeal can only be made, on a point of law, to the Social Security Commissioners (who are senior lawyers), who consider cases in writing or by oral hearings. Their decisions establish case law which is binding on tribunals. Appeals against their decisions (on a point of law, and with leave only) go to the Court of Appeal, or in Scotland to the Court of Session.

The Benefits Agency is also subject to financial scrutiny by the National Audit Office on behalf of Parliament and by the House of Commons Social Services Committee. Complaints about maladministration can be taken up by the Parliamentary Ombudsman, but only via a claimant's Member of Parliament. The Social Security Advisory Committee is an independent advisory body to *which* most proposed changes in the law must be sent for consultation. The Government must publish its response to SSAC's reports.

The role of non-governmental organisations in social assistance

Non-governmental organisations (NGOs) have no direct or statutory role in the provision of social assistance in the UK. Various independent trust funds have been established by the Government to make payments to people in certain situations (for example, families with severely disabled children, and people with disabilities wishing to live independently). These are not part of the social assistance scheme, although they have sometimes been established to replace provision formerly made through the social security system.

Many charities and trusts make payments to individuals and families on low incomes, but these again are not part of the social security system. Their concern is to avoid being seen as replacement for statutory provision, and some were worried by the introduction of the Social Fund because they saw it as obliging claimants to rely more heavily on charitable payments, thus undermining their complementary role.

A major role played by voluntary organisations is the provision of welfare rights advice and advocacy to people on low incomes, to enable them to claim their full entitlement to welfare benefits and to help them to challenge decisions which appear to be incorrect. Some organisations receive funding from the Government and/or from local authorities to undertake these activities. There is a widespread perception that it was in part the activities of welfare rights organisations in the 1970s and 1980s which led the Government to cut back on the single payments scheme (one-off payments to people on Supplementary Benefit) and to introduce the Social Fund as an alternative. There was a fear amongst such organisations

that the reforms introduced in 1988 (as well as the growing practice by the Government of overturning adverse decisions of the courts by speedy amendment of regulations) would spell the end of meaningful welfare rights activity. This has not in practice been the outcome. although the scope and focus of welfare rights advice and advocacy have had to adapt to the new situation.

Other voluntary organisations see their role as awareness-raising and lobbying on social security provision and on poverty more generally. There is a well-recognised 'poverty lobby' in the UK. which tends to be 'single issue' or divided by client group for the smaller organisations (and therefore is accused of fragmentation). The larger organisations see poverty issues as part of their broader citizens' or consumers' brief. Many of these organisations also undertake welfare rights activities and the criticism is sometimes made that the poverty lobby in the UK is dominated by social security issues. There is certainly a division between the NGOs involved in benefits/income poverty issues and those involved in community work/community development issues. The poverty lobby has been on the defensive over the last decade and a half, but has probably succeeded in keeping poverty on the agenda and in helping to bring about, challenge or reverse a variety of changes in the policy and practice of social assistance.

24.4 Housing assistance

There are two main forms of help with housing costs. The first is help with mortgage interest payments for people on Income Support, administered by the Benefits Agency for the Department of Social Security. Only certain payments qualify (basically interest on the main loan for purchase of the home and for repairs or improvements taken on before becoming an Income Support claimant), and no payment is made towards capital repayments or endowment insurance premiums. Since January 1987, if a claimant is under 60 only half the interest has been met for the first 16 weeks of a claim. There is also now a mortgage interest limit for new claims of £125,000 of outstanding capital (a £150,000 limit was introduced in August 1993 and then tightened further). The amount can also be restricted if the accommodation is considered too large or luxurious. unless the claimant cannot be expected to move house. There is no help with mortgage interest payments for people on low incomes who are not on Income Support. From October 1995. further important restrictions to mortgage interest payments have been introduced. People taking out mortgages after the beginning of October will have to wait 39 weeks for any Income Support payments towards the mortgage interest if they become Income Support claimants. New claimants with existing mortgages will have to wait for eight weeks and then only half the interest will be met for the following 18 weeks. Some new borrowers. such as those treated as carers. or with pre-existing medical conditions, will be treated as existing borrowers. For all recipients of Income Support mortgage interest payments, entitlement will be based on a standard average rate of interest. The Government is expecting the insurance industry to fill the gap with private mortgage protection policies.

The second form of help is Housing Benefit, which is administered by local authorities and provides help with rent for private or public housing for people on Income Support or on a low income but not on Income Support. It is usually paid as a cash allowance to private renters. but as a reduction in rent to council tenants. Those on Income Support. or with levels of net income at or below Income Support, usually have 100 per cent of their rent paid. Above this income level, benefit is reduced by 65 pence for every pound of extra income. The allowances are generally the same as for Income Support, except that people age 16- 17 have the same allowance as those aged 18-24, and lone parents have a higher premium. There is also some variation in earnings disregards (for lone parents, for example). The capital limit is twice as high as for Income Support (£16,000). This was changed after the introduction of the scheme because of an adverse effect on older people. Housing Benefit is tax-free. Family Credit and Disability Working Allowance both count as income in the calculation of benefit entitlement.

Housing Benefit can be reduced if the rent is considered to be too high. Both Housing and Council Tax Benefit are also subject to the 'habitual residence' test introduced in 1994.

There can be reductions in help with housing costs for those on Income Support, and in Housing Benefit, if 'non-dependants' are living in the claimant's household (that is, an adult who is not part of the claimant's 'family' and is not a sub-tenant or boarder). Set amounts are deducted from benefit payable on the assumption that non-dependants are making a contribution to housing costs, whether they are or not. The amounts which are deducted vary depending on the age and income of the non-dependant and no deductions are made for some categories of non-dependants. Non-dependant deductions have increased steeply in recent years.

There is no right to an independent appeal against Housing Benefit decisions. Local authorities run their own Housing Benefit Review Boards, which are made up of local authority representatives. These have been the subject of widespread criticism among the socio-legal community, and an evaluation carried out on behalf of the DSS found that they had some substantial shortcomings (Sainsbury and Eardley, 1991).

24.5 Trends in expenditure on social assistance

Table 24.2 shows expenditure on Supplementary Benefit/Income Support since 1980 in cash terms and as a proportion of overall social security expenditure.

Table 24.2: Expenditure on Supplementary Benefit/Income Support, 1980-1994, at annual price

| Year | [A] Expenditure on Income Support/ Supplementary Benefit (£ millions) | [B] Total expenditure on social security (£ millions) | [A] as a percentage of [B] % |
|---------|---|--|------------------------------------|
| 1980-81 | 3.172 | 23.483 | 13.5 |
| 1981-82 | 4.840 | 28.566 | 16.9 |
| 1982-83 | 6.261 | <u>32.111</u> | 19.3 |
| 1983-84 | 5.591 | 35.159 | 15.9 |
| 1984-85 | 6.471 | 39.716 | 16.3 |
| 1985-86 | 7.446 | 43,237 | 17.2 |
| 1986-87 | 7.967 | 46,611 | 17.1 |
| 1987-88 | 7,956 | 48.982 | 16.2 |
| 1988-89 | 7,582 | 49.641 | 15.3 |
| 1989-90 | 7.675 | 52,359 | 14.7 |
| 1990-91 | 8.895 | 56280 | 15.8 |
| 1991-92 | 11,646 | 65.349 | 17.8 |
| 1992-93 | 14.790 | 74.491 | 19.9 |
| 1993-94 | 15,773 | 81,640 | 19.3 |
| 1994-95 | 16.492 | 82.994 | 19.9 |

Notes: 1. The figure for 1994-95 is a forecast only.

2. In 1993 purchasing power parities. £1 = US\$1.59

Source: Departmental Reports from 1986-87 to 1994-95

In real terms, expenditure on Supplementary Benefit and Income Support increased by 280 per cent between 1980/81 and 1992/93, while social security spending as a whole increased by 62 per cent (DSS, 1993a, Table 9b). Spending on the other means-tested benefits also increased over this period (Table 24.3).

Table 24.3: Expenditure on other means-tested benefits, 1980-1992, annual prices

| Year | Benefit | | |
|----------|-------------------------------------|--|---|
| | RS/Family Credit (£ millions) | Rent rebates/allowances and Housing Benefit (£ millions) | Rate rebates/Community' Charge Benefit (£ millions) |
| 1980-81 | 42 | 1.024 | 599 |
| 1981--82 | 66 | 1,656 | 891 |
| 1982--83 | 94 | 2.128 | L083 |
| 1983-84 | 123 | 2,516 | L218 |
| 1984-85 | 126 | 2.832 | 1.354 |
| 1985-86 | 130 | 3.177 | 1.479 |
| 1986-87 | 161 | 3.294 | L653 |
| 1987-88 | 180 | 3.536 | 1.701 |
| 1988-89 | 394 | 3.773 | L373 |
| 1989-90 | 425 | 4,283 | L460 |
| 1990-91 | 494 | 4,941 | 2.161 |
| 1991-92 | 626 | 6.058 | 1.136 |
| 1992--93 | 864 | 7.348 | 1.538 |

Source: DSS, 1993a. Table 9a

In real terms, expenditure on help with rented housing costs and local tax rebates rose by 171 per cent between 1980/1 and 1992/3, while spending on Family Credit increased by 70 per cent since its introduction in 1988 (DSS, 1993a, Table 9b).

As a proportion of GDP, expenditure on Supplementary Benefit was only 0.9 per cent in 1980/81, but this rose to 2.4 per cent in 1992 for Income Support. Taking all the main means-tested benefits, expenditure was 1.6 per cent of GDP in 1980/1 and just over four per cent in 1992/3 (excluding the Social Fund).

Expenditure on the Social Fund has also risen. Net expenditure in cash terms, after repayment of loans, was £130 million in 1988/9 and an estimated £225 million in 1993/4 (DSS, 1994b). The estimated cost to the Department of Social Security of administering Income Support in 1992/93 was £1,536 million, or just over one-tenth of the amount spent on benefits (DSS, 1994b), while paying non-contributory benefits (mainly Income Support) to unemployed people cost the Department of Employment a further estimated £452 million. Partly because of the detailed personal assessments necessary for a decision, the discretionary Social Fund is particularly expensive to administer. In 1992/3 administrative costs came to almost 52 per cent of the total spent on grants and loans.

Total expenditure in 1992/3 on the means-tested benefits discussed above was just under £24.8 billion, or the equivalent of around USS39.4 billion.

24.6 Trends in receipt of social assistance

Table 24.4 shows the trend in the numbers of recipients of Income Support, together with their partners and dependent children. The total number of individuals, including children, receiving benefit in 1992 was 8.853 million.

Table 24.4: Numbers of Income Support recipients (in thousands, rounded), 1980-1992

| Year | Claimants | Partners | Dependants | Total (thousands) |
|------|-----------|----------|-------------------|----------------------|
| 1980 | 3.118 | 621 | 1.1 ²⁵ | 4.864 |
| 1981 | 3.723 | 849 | 1.550 | 6.122 |
| 1982 | 4.267 | 1,010 | 1.793 | 7,070 |
| 1983 | 4.349 | 1.021 | 1.868 | 7.258 |
| 1984 | 4,609 | 1.086 | 2.033 | 7.728 |
| 1986 | 4.938 | 1.127 | 2,227 | 8.292 |
| 1987 | 4.896 | 1,074 | ² ,236 | 8,296 |
| 1988 | 4,352 | 841 | ² ,195 | 7.388 |
| 1989 | 4,161 | 724 | 2,138 | 7.023 |
| 1990 | 4.180 | 691 | ² ,151 | 7,022 |
| 1991 | 4,487 | 763 | 2,497 | 7,747 |
| 1992 | 5.088 | 891 | 2.874 | 8.853 |

Notes:

1. Figures are taken from the Annual Statistical Enquiry for each year and rounded to the nearest thousand.
2. Income Support replaced Supplementary Benefit in 1988.
3. No data is available for 1985.

Source: Department of Social Security 1994a

Up to the mid-1980s the number of claimants was climbing steadily, but with the drop in unemployment in the boom of the late 1980s receipt of Income Support also declined, rising again in the recession which began at the end of the decade. Based on a population estimate of 56.388 million provided by the Office of Population, Censuses and Surveys, the number of beneficiaries in 1992 represented 17.7 per cent of the total population of Great Britain (DSS. 1994a). There is, however, a concentration of families with children among Income Support beneficiaries. Claimant statistics from August 1993 show that there were just over three million children under 16 years in families receiving Income Support. This is approximately 25 per cent of all children of this age. The number of claimants (not counting partners or children) increased by just over 63 per cent between 1980 and 1992. Table 24.5 gives a breakdown of the recipient population in August 1993, by category.

Table 24.5: Income Support claimants in August 1993, by category

| | Lone parents | Unemployed | Aged 60 or over (thousands) | Disabled | Others | Total |
|--------------------------|-----------------|------------|-----------------------------------|----------|--------|-------|
| Claimants | 1.040 | 1,982 | 1,746 | 548 | 455 | 5,771 |
| Partners | | 497 | 272 | 146 | 103 | 1,013 |
| Dependants | 1.870 | 859 | 40 | 253 | 186 | 3,207 |
| Total | 2.910 | 3.338 | 2,058 | 941 | 744 | 9,991 |
| As a % of all recipients | 29.1 | 33.4 | 20.4 | 9.7 | 7.4 | |

Source: DSS 1994a, based on Quarterly Statistical Enquiry August 1993

The number of lone parents receiving Income Support has been increasing steadily, with a growth of 43 per cent between May 1988 and August 1993. Lone parents make up around 18 per cent of all claimants and it is likely that this represents more than 80 per cent of all lone parents. Including their children, families headed by a lone parent make up nearly 30 per cent of the total Income Support clientele. A further 20 per cent is made up of people over retirement age.

In May 1992, 65 per cent of all Income Support claimants had been in receipt of benefit for at least one year and 44 per cent for two years or more (DSS. 1993b). Just over half the long-term recipients were aged over 60. Seventy per cent of lone parents had been on benefit for over one year.

In August 1993, 29 per cent of IS claimants and 17 per cent of their partners were also receiving a national insurance benefit (DSS, 1994a). This would include people receiving Retirement Pensions, Sickness and Invalidity Benefits, Maternity Allowance, Widow's Benefit and Unemployment Benefit.

Table 24.6 shows the trends in the numbers of people receiving other means-tested benefits since the mid-1980s.

Table 24.6: Recipients of other means-tested benefits, 1983-1992.. at a given date

| Benefit | 1983 | 1988 | 1989 | 1990 | 1991 | 1992 |
|--|-------------|-------|-------|-------|-------|-------|
| | (thousands) | | | | | |
| FIS/Familp Credit | 201 | 213 | 286 | 313 | 328 | 361 |
| Rent rebates/allowance and Housing Benefit | 2,220 | 3,973 | 3,904 | 3,925 | 4,155 | 4,390 |
| Rate rebates: ¹ | | | | | | |
| Community Char ^{se} e Benefit | 3,660 | 5,035 | 5,502 | 6,827 | 6,387 | 6,123 |

Source: DSS, 1986, 1993b

Although the number of Family Credit recipients has increased substantially since 1988 and is now well over half a million, the proportionate rise in the number of Housing Benefit claimants has been less marked, with a rise of around 22 per cent. DSS figures show that Housing Benefit expenditure increased by some 53 per cent in real terms between 1988/89 and 1992/3 (DSS, 1993a, Table 9b), which suggests that the rising costs of Housing Benefit are only partly related to increases in the number of claimants.

Take-up

The question of take-up has been at the centre of debates in the UK about the effectiveness of means-testing and targeting of benefits. Critics of means-testing have traditionally pointed to apparently low take-up levels of benefits like Family Income Supplement as support for the argument that this approach fails to tackle the worst effects of poverty. In practice, measuring take-up accurately is difficult and while considerable methodological advances have been made there *remain* many problems (Craig, 1991; Corden, 1995). The Department of Social Security publishes official estimates of take-up, and those for Income Support in 1991 were as follows:

Table 24.7: Estimates of Income Support take-up, 1991, by family type

| Family type | Recipients in thousands | Entitled non-recipients in thousands | Take-up (point estimate)% |
|----------------|-------------------------|--------------------------------------|---------------------------|
| Pensioners | 1,430 | 570 | 72 |
| Non Pensioners | | | |
| Couples | | | |
| with Children | 420 | 90 | 83 |
| Singles | | | |
| with Children | 930 | 50 | 95 |
| Others | 1,620 | 410 | 80 |
| All | 2,970 | 550 | 84 |
| Total | 4,400 | 1,120 | 80 |

Source: DSS, 1994a

This suggests that there were over one million people not receiving their entitlement, of whom more than half were pensioners. The amounts involved, however, are likely to be relatively small, since research tends to suggest that people with higher levels of entitlement are more likely to make claims. Estimates for 1992, recently released, suggest that take-up has improved further to between 77 and 87 per cent, depending on claimant type. For Housing Benefit, take-up is estimated to be even higher, at 88-93 per cent.

The best estimates of take-up for Family Credit come from a 1991 survey of low-income families (Marsh and McKay, 1993). They found that take-up tended to increase the higher the amount of potential benefit entitlement, but overall it was around 67 per cent for employees. One significant division is between tenants and owner-occupiers, with the latter being much less likely to claim benefits even when they are objectively in as much need: any further expansion might therefore reach a limit of effectiveness.

The simplification of the post-1988 means-tested benefits system was expected to lead to higher take-up, and it does appear that this is happening to some extent. The take-up of other benefits outside the mainstream of social assistance – such as disability benefits – is now more important, because of the increased use of such benefits as ‘passports’ to premiums within Income Support.

Disability Working Allowance appears to suffer from particular take-up problems, although it is a relatively new benefit and the size of the eligible target population has never been certain. Only a few thousand people are currently receiving the benefit, considerably less than the 50,000 the Government estimated as potentially eligible. Preliminary research carried out for the DSS suggests that so far it has also not been very successful in attracting disabled people into work (Rowlingson and Berthoud, 1994).

24.7 Policy issues

Some of the key policy issues have already been referred to, including the question of fraud and abuse, and the situation of young people under 18. The control of expenditure on social security is of central concern to government at present and the expenditure review is likely to produce proposals for change in a number of areas. There are two general areas of policy on social assistance which are the subject of continuing debate: these are dependency and incentives to work, and the level of benefits.

Dependency and incentives

One of the main thrusts of government policy on social security in recent years has been against what is seen as the ‘dependency culture’ of people becoming habituated to life on benefits and ceasing to make active efforts to help themselves through seeking employment or other opportunities. Policy is also concerned with responding to the desire of unemployed people to work and with matching incentive policies with changes in the labour market, such as the increase in part-time employment. There is widespread agreement that living for long periods of time on Income Support is unlikely to be beneficial, either for adults or children, though there are differing views on how best to respond to these policy concerns.

One of the central foci of this debate has been the structure of means-tested benefits and the incentive/disincentive effects built into the interaction of all the different benefits. It is generally accepted that the 1988 reforms have in principle all but eliminated the ‘unemployment trap’ – that is, the possibility that someone may be better off out of work than in work. This has happened through the introduction and extension of Family Credit and the alignment of the structure of the main means-tested benefits for those in and out of work, though this depends in practice on high take-up of in-work benefits. Some critics would argue that the Government has also tackled the problem from a different angle, by allowing the level of out-of-work benefits to fall relative to average wage levels, and by introducing regulations to make it more difficult for unemployed claimants to refuse low-paid jobs. The issue, nevertheless, continues to be a live one: the first report from the Social Security Advisory Committee on the long-term review of social security, for example, was about incentives (SSAC, 1994). This seems to be for two main reasons.

First, research has now demonstrated that it is not only the mechanical comparison of income in work with that out of work which influences decisions about

employment opportunities. The degree of risk attached is also crucial, involving decisions about whether to disrupt the steady, if low level, flow of means-tested out-of-work benefit for *what* can be an uncertain amount of benefit in work, which may be delayed in its arrival and which could result in disruption if an insecure job ends and out-of-work benefit has to be claimed afresh (see, for example, McLaughlin *et al.*, 1989). Perceptions of risk, the security or otherwise of family income, and individuals' social roles and relationships all appear to play a larger part in the complex decisions about labour market participation than formerly recognised, especially for families with children.

Secondly, attention has moved away from the calculation of generalised replacement ratios to focus on specific groups who appear to experience greater disincentives than others. This may be because of a heightened emphasis recently on the impact of the benefits system on groups other than the traditional male breadwinner. The wives of unemployed men on Income Support, for example, have been subject to 100 per cent marital deduction rates as soon as their earnings exceed the small weekly disregards described above (Brown, 1989). In addition, some specific costs have been identified as causing incentive problems for particular groups who face them. In particular, child-care costs have been highlighted for lone parents, although they are also an issue for potential second earners in two-parent families. The Government has taken a number of initiatives to facilitate the entry of lone parents into employment in recent years: since removing the disregard for child-care costs in the pre-1988 Supplementary Benefit system, it has first reduced the earnings threshold for Family Credit from 24 to 16 hours per week, with lone parents in particular in mind, and then introduced the child-care disregard for those on Family Credit and other benefits, referred to above.

Other costs which can potentially create 'better off out of work' problems include school meals, which are free for those on Income Support, but not otherwise; starting work expenses; in-work expenses, including travel to work costs; and mortgage interest, which is paid while on Income Support, but not for others on low incomes. Marsh and McKay's (1993) survey of low-income families, however, found that despite these in-work costs people receiving Family Credit still tended to be better off than those on Income Support. The Government has recently introduced a pilot scheme of grants for starting work costs, but only for the long-term unemployed. Since October 1993 small awards of Family Credit and Disability Working Allowance can also be paid as a lump sum, which may also be helpful for these costs. As part of the package of incentives to be introduced with the new Job Seekers' Allowance in 1996, claimants working part-time will be able to have part of their earnings, over and above the basic disregards credited to them, to be received as a lump sum if they move into full-time work (Back to Work Bonus).

There has been growing interest in the idea of a mortgage benefit for the low-paid, perhaps tapered to reduce the possibility of 'trading up' (Webb and Wilcox, 1992) but the Government has given no indication that it is likely to introduce such a benefit. The Social Security Advisory Committee and others have suggested instead that a benefit like Family Credit should also be available to single people and childless couples (SSAC, 1994). The Government has estimated that this would cost £65 million for childless couples, and £1.5 billion for single people (House of Commons, *Hansard*, 2017:94, Written Answers, col. 253). Nevertheless, local pilots of income supplementation schemes, known as Earnings Top-up', for people without dependent children are being implemented from October 1996. Various improvements have also been made to speed up the process of decision making on in-work benefits, especially Family Credit, but the Government has only limited control over the administration of Housing Benefit by local authorities, which is often where the longest delays occur.

The 1988 reforms also reduced the worst effects of the 'poverty trap' whereby a wage rise could leave some people worse off than before after increases in income tax and social security contributions and reductions in means-tested benefits (a

'marginal deduction rate' of over 100 per cent). Although there are now very few cases where this could occur, there are still large numbers of people -- mostly families with children -- facing very high marginal deduction rates. Calculations for 1993-94 showed 525,000 benefit units facing marginal deduction rates of 70 per cent or more, compared with 290,000 in 1985 (DSS, 1994b). The Government has pointed out, however, that recent increases in this figure (from some 400,000 in 1991-92) were largely due to the reduction in the hours threshold for Family Credit from 24 to 16 per week in April 1992, and that such claimants previously received Income Support and therefore faced marginal deduction rates of 100 per cent.

There is, nevertheless, continuing concern about the poverty trap - often called the 'poverty plateau', because of the effect it has in flattening the net income profile of some families over a wide range of earnings. An incentives issue which has recently arisen, raised particularly by housing associations as providers of social housing, is the effect of rising rents. They argue that because they have been forced to raise their rents, only those on Income Support (who receive full rent rebates) can afford some of the accommodation they provide, which may lead to 'welfare ghettos'. Recent increases in rents mean that earnings have to be much higher in order for individuals to be free of benefit dependence altogether.

The level of benefits

The level of benefit rates in general, and Supplementary Benefit/Income Support rates in particular, has long been a focus of attention for social policy academics, the poverty lobby and others in the UK. This issue was highlighted in the debates around the social security review in the late 1980s, in part because of the effective reduction in benefit levels which critics argued resulted from the replacement of most grants for one-off items with loans under the discretionary Social Fund. Since the introduction of Income Support in 1988, rates have increased slightly in real terms for certain groups, such as children and older people. The question has been raised again in research studies such as those carried out by the Family Budget Unit, which has revived the 'basket of goods' approach used by Rowntree, composing a low cost, minimal budget and a 'modest but adequate' budget, and comparing them with Income Support rates (Bradshaw *et al.*, 1992; Oldfield and Yu, 1993). Others have looked, for example, at the particular difficulties faced by parents on Income Support trying to provide their children with an adequate diet (Dobson *et al.*, 1995).

There has also been concern about specific groups. Families with children were intended to be a major 'target' for redirected resources in the reforms of the late 1980s, in part because research had consistently shown that they tended to have the lowest living standards on benefit (see, for example, Berthoud, 1984). But it is not clear that they have benefited unambiguously from the reforms, and lone-parent families and the families of the unemployed in particular continue to face high levels of deprivation and debt (Bradshaw and Holmes, 1989; Huby and Dix, 1992). The Social Security Advisory Committee has also continued to press the case for the extension of the benefit level for people aged 25 or more to those aged 18-24 who maintain their own households (SSAC, 1994).

The issue of adequacy has also come to the fore indirectly in the growing concern amongst groups such as welfare rights workers, the Social Security Advisory Committee and the Citizens' Advice Bureaux about deductions from Income Support - both the increase in the length of time for which voluntary unemployment deductions are applied and the increase in the number of other items for which deductions can be made (such as for fines and repayments of Social Fund loans) (NACAB, 1993).

Concerns about the Social Fund have been linked to the issue of adequacy of Income Support rates, but are also distinct. The introduction of the Social Fund has been called 'the only great symbolic change' in the social security reforms of 1988 (N. Timmins, *The Independent*, 6 April, 1988, quoted in Lister, 1991). It was

certainly the most controversial, and initially led to the government-appointed Social Security Advisory Committee 'dissociating' itself from the decision to introduce it, as well as an attempted boycott of its operation by some social workers, concerned about its discretionary nature, the introduction of loans and the cash-limited budget. The lack of a right to a fully independent appeal was also vigorously opposed, and led to amendment by the Government; but many commentators now agree that the Social Fund Inspectors and Social Fund Commissioner responsible for second-tier reviews of decisions have proved to be more independent and thorough, within the limits of their remit, than was at first expected.

The most recent publicity concerning the Social Fund occurred on publication of DSS-commissioned research into its workings and outcomes (Huby and Dix. 1992; Walker *et al.*, 1992). This provided not only a critical assessment of the Social Fund, but also a picture of the lives of people who benefited, or did not benefit, from it. The Government had previously suggested that it was prepared to review and reform the scheme, and the Social Security Advisory Committee made various proposals (SSAC, 1992). There have, however, been no changes other than procedural reforms and some budget increases. More recently it seems to have been overtaken as a focus for campaigners by the new Child Support arrangements.

24.8 Recent and forthcoming changes

The 1988 restructuring of Income Support

The most important changes resulting from the 1988 restructuring of social assistance have already been described. The main changes were to the basic social assistance benefit, Supplementary Benefit, which was split into two parts: Income Support as the weekly benefit and the Social Fund for one-off payments. Many criteria for differentiating weekly payments between different claimants were collapsed into far fewer distinctions - primarily age. and additional premiums for certain categories of people. The arguments for premiums included simplification and the fact that they were usually paid automatically, rather than having to be claimed separately. The Government also argued that the new structure makes it easier to direct additional resources at specific groups. Critics have argued that the premiums represent only an average of very different needs across broad claimant groups and thus some with greater needs will have lost out. On the other hand, while this element of 'rough justice' was introduced on the needs side of the calculation, the reforms did not bring any major simplifications of the assessment of resources - the factor which makes means-tested benefits inherently complex. Both the similarity in the treatment of resources across the main means-tested benefits and the similarity in the allowances were generally welcomed - although it has been pointed out since that this alignment creates financial pressure on uprating decisions (Evans *et al.*, 1994).

Work incentives

Changes aimed at improving links to the labour market include:

- the change in the hours threshold between Family Credit and Income Support from 24 to 16 hours per week in April 1992 (and the subsequent re-introduction of a 24-hour threshold for the partners of unemployed workers on Income Support)
- the introduction of the Disability Working Allowance in April 1992 (also a 16-hour threshold)
- the introduction of a child care allowance for all the main means-tested benefits (with the exception of Income Support) from October 1994.

The increasing controls on unemployed claimants have been mentioned above. The key changes were the introduction of the 'actively seeking work' requirement in 1989, the arrangements for Restart interviews and courses, and the extension of the

voluntary unemployment deduction. In 1994/95, two new initiatives targeted at people aged 18--24 who are long-term unemployed were piloted, including courses and intensive interviewing_

Various pilot schemes were introduced recently which alter the relationship between unemployment and working. Work Trials (20,000 places in 1994/95) enable employers to take on priority clients for up to three weeks, during which their benefit continues, in order to establish their suitability for actual vacancies. There is also a pilot scheme to test the effect of paying a temporary subsidy to employers to encourage them to recruit very long-term unemployed people.

From October 1996, Unemployment Benefit and Income Support for the unemployed will be replaced by the Job Seeker's Allowance. This will be contributory for six months and then means-tested. Its change of name is also significant, and the Government is proposing a new contract between unemployed people and the state in return for benefit, involving more structured plans for job-seeking. The benefit will be administered by the Employment Service on behalf of the DSS/BA and the rates for the new allowance will be aligned with those for Income Support. This means primarily that single, childless claimants aged 18=24 will receive a lower benefit rate. In addition, the new allowance is to be personal only and will not, unlike Unemployment Benefit, include allowances for partners. Those with dependants will therefore need to claim a means-tested top-up from the start of unemployment.

Along with Job Seeker's Allowance, as stated above, will come a package of other incentive schemes, including a Back to Work Bonus and a Jobfinders Grant for people starting work. In addition, from July 1995, people receiving Family Credit and Disability Working Allowance who are able to increase their weekly hours of work to 30 or more will receive an extra payment of £10 per week.

Housing costs

Recent changes have included:

- the limitation on help with mortgage interest in income Support to £150,000 and then £125,000. The Government has also proposed that mortgage protection policies, to cover unemployment in particular, should be made compulsory for borrowers, thus cutting back on the benefits bill.
- Ⓜ increases above inflation in recent years in the deductions from mortgage interest payments and Housing Benefit because of the presence of non-dependant(s) in a claimant's household. These deductions often seem to be increased in line with housing costs, though there is no mechanism to ensure that the non-dependant pays a contribution.
- in October 1995 further restrictions to Income Support mortgage interest payments were introduced (see 24.4 above).

The public spending review is also looking at ways to curtail the rising costs of Housing Benefit, and initial proposals involve regional benefit 'ceilings'.

Child support

In April 1993 the Child Support Agency was established to administer a new scheme for collecting child maintenance. The Government's aims included recovering an increased proportion of an increased maintenance total from absent parents, especially maintenance payable to lone parents on means-tested benefits. In the process encouraging those lone parents who wished to enter paid employment.

The scheme is not described in detail *here*, since it does not form part of the means-tested benefits system. But it affects those receiving means-tested benefits in a number of controversial ways:

- s Custodial parents receiving Income Support, Family Credit and Disability Working Allowance (not limited to lone parents) are required to co-operate with the pursuit of Child Support from the absent parent. Refusal to do so attracts a benefit penalty of 20 per cent of the adult Income Support personal allowance for six months, plus ten per cent for a year. Unlike the situation for claimants facing the voluntary unemployment deduction, there is no discretion to shorten this period.
- All maintenance received is counted in full as income, so unless the amount is large enough to float a lone parent off Income Support altogether, there is no immediate gain. Organisations such as the National Council for One Parent Families have argued for part of the maintenance to be disregarded.
- The receipt of child support can float a lone parent off Income Support, in particular because the Child Support formula includes an allowance for the parent themselves (as carer of the child) extending a new element introduced in the Social Security Act 1990 into the previous 'liable relatives' system in the Income Support scheme. There has been some resentment about this, since it can involve loss of income through loss of passported benefits.
- s Having to pay Child Support can leave some liable fathers who are themselves on Income Support below the minimum benefit level.

In January 1995, following a review which was prompted partly by a spate of adverse publicity about the operations of the Agency, the Government announced a number of changes to the Child Support arrangements. These will come into effect in 1996/7 and include reductions in the maximum amounts of maintenance payable, allowances to take into account property settlements made before 1993, and other amendments to the maintenance formula. Because of a large backlog in the caseload, it was also announced that the assessment of new cases will be deferred, where the parent with care is not receiving one of the means-tested benefits.

Incapacity Benefit

From April 1995 a new Incapacity Benefit replaced Invalidity Benefit, with a new test of incapacity for all work. The test will also affect means-tested benefits, as it will be applied to the disability premium in Income Support, Housing Benefit and Council Tax Benefit. This is likely to mean that fewer people will qualify for the premiums.

Community care

The new arrangements for care of elderly and disabled people, which came into effect in April 1993, transfer funding from the DSS to the social services departments of local authorities to implement assessments and 'care packages' for older or disabled people. The benefit arrangements for people in residential care and nursing homes were changed - although those already resident and entitled to Income Support then, or becoming entitled later, retain their entitlement. For other people going into residential care or nursing homes, Housing Benefit (which varies with rent) is replaced by a Residential Care Allowance paid as part of Income Support to cover the rent element of the charges.

Health benefits

Increases in health charges --- especially dental charges and prescriptions - have made access to health benefits more important. The Government recently carried out a review of the low-income health benefits scheme, which has a particularly low take-up rate, but decided to make no changes. Automatic access to health benefits was extended to Disability Working Allowance claimants with capital of less than £8,000 from April 1995.

24.9 Overall performance

Income Support is more comprehensive in coverage than social assistance schemes in most other countries, *and* unlike some it has no time limit on entitlement. It has, however, become less comprehensive in recent years because of the exclusion of some groups from its scope: any alternative provision for such groups is usually discretionary rather than a legal entitlement. The setting up of the Social Fund is *also* argued by critics to have led to a loss of cover within social assistance itself. since in practice many claimants cannot get help for one-off items in addition to their weekly benefit.

Unlike many other social assistance schemes, Income Support is regulated centrally rather than locally. This is generally argued to be a positive feature --. although researchers have noted that national regulation *of* single payments, even prior to the discretionary Social Fund, did not prevent territorial inequalities in the treatment of claimants' applications. It also seems to be generally agreed that centrally-determined and uniform benefit rates are a positive feature - although there is some complaint that they therefore do not reflect adequately local variations in the cost of living (such as the high cost *of* electricity in Northern Ireland, for example). It has been argued that there was regional 'rough justice' in the average compensation given for varying levels of community charge and the same is still true of water rates.

The fact that most payments of Income Support are a legal right, rather than discretionary, is also seen as positive in general. The introduction of a legal entitlement to one-off payments in 1980 was described as 'a great advance in fairness' by the then Social Services Secretary, for example, although some developments since then have modified legal entitlements and extended areas of discretion.

One criticism made is that the UK increasingly has a flexible labour market but an inflexible benefits system unsuited to modern employment patterns, which discourages claimants and/or their partners from experimenting with new forms of job opportunities (McLaughlin, 1994). The Government has extended Family Credit to jobs formerly considered part-time, and self-employed people in particular receive significant amounts of benefit, but two problems still seem to stand out. One is that Income Support itself is inflexible, with very limited earnings disregards. The dilemma here is how to deal with availability for work if these were relaxed; there might also be a concern about making Income Support more attractive compared with standard employment. There is little opportunity for part-time availability for work within the current system - one of the ways in which means-tested benefits are often by nature less suited than non-means-tested benefits to the new employment and family patterns. Another problem has been the strategy for encouraging families to progress from 'full-time' employment with help from Family Credit to full independence from means-tested benefits. Concentration on Family Credit may lead to the neglect of initiatives on either side of it -- that is, Income Support on the one hand and economic independence on the other. The package of new schemes and programmes announced in the 1994 Budget in connection with the Job Seekers' Allowance, as well as extra Family Credit payments for people working full-time, and the piloting of in-work benefits for people without children, are all aimed at dealing with these problems of the transition from benefits to work. It will be a matter for future research to evaluate the effectiveness of these schemes.

A separate policy issue, raised by international comparisons in particular, is whether there should be any change in the categories of claimants required to be available for work. In some other countries, lone parents have to sign on to be eligible for benefit, at least when their children reach school age. From time to time there are suggestions that they should do so in the UK, and lone parents will be able to register voluntarily for the Job Seeker's Allowance. Leaving aside any issues about children's welfare and mothers' choices, however, any such policy move

would increase the unemployment count significantly and would raise the analogous issue of the availability for work of the partners of unemployed claimants (Brown_ 1989).

Clearly any assessment of a social assistance scheme has to consider the level of payments. Various attempts have been made to assess the impact of the 1988 reforms on the living standards of claimants – for example, by the Social Security Select Committee, and most recently by Evans *et al.*, (1994) – although this is an exercise beset by complexity. The Government has stated that it is now spending more than £1 billion extra per year at current prices on low-income families with children, and a similar additional amount on low-income pensioners, compared with 1987-88. By its nature, the impact of this is difficult to evaluate, partly because of changes in the claimant population. The relationship between additional expenditure and claimants' living standards is not straightforward, as the example of additional Housing Benefit expenditure demonstrates. Within the Income Support scheme itself, there have been several examples over recent years of the imposition of, or increase in, costs facing claimants outside the benefit scheme itself, with compensation provided through special increases in benefit. In time these additions may come to be seen as an improvement in allowances, but they may not actually lead to an improvement in living standards. The Social Security Committee's recent assessment was that Income Support claimants' living standards had risen on average by 15 per cent in real terms between 1979 and 1989 (Social Security Committee, 1993), but this figure has been challenged by critics.

The official measures of changes in income distribution over time are contained in the DSS's Households Below Average Income (HBAI) series. These are not a measure of poverty as such, since there is no agreed poverty line: rather they show the dispersal of income and changes in the composition of different decile income groups. The 1994 report showed that the proportion of the population with net equivalised incomes below half the national average after housing costs increased from just under ten per cent in 1979 to just under 25 per cent in 1991/2 (DSS, 1994c). A recent enquiry on the changing distribution of income and wealth in the UK, headed by the former chair of the Social Security Advisory Committee, expressed concern at the way that the living standards of a substantial minority had lagged behind those of the majority since the late 1970s, arguing that this increasing inequality damaged both the social fabric of the country and its long-term economic competitiveness (Joseph Rowntree Foundation, 1995).

Overall, there continues to be a live policy debate in the UK about the appropriate place and role of means-tested benefits. There is some concern, for example, about whether Family Credit provides a subsidy to employers to pay lower wages than they otherwise would, though the Government argues that the number and ages of children in the family are more important than the level of pay in determining the amount of benefit received. Not mentioned so often, but also relevant, is whether Family Credit is propping up a large number of uneconomic businesses for self-employed people. There is also some concern about the relationship of Housing Benefit to rent levels and to housing policy generally. It appears that any limits imposed may be directed at claimants rather than landlords, so that payment ceilings will be indirect, via Housing Benefit levels (or subsidies to local authorities), rather than through price controls.

The debates about Income Support, at least in parts of the national media, tend to focus on a perceived threat of 'welfare dependency' or a developing 'underclass', and to be related to issues of public morality, especially crime and sexual behaviour. There seems to be a widespread acceptance of not only the necessity but also the desirability of targeting resources 'on those most in need'. This however can sometimes be accompanied by an assumption that reliance on benefits is primarily a matter of choice by recipients. The adverse impact on incentives inherent in means-testing is not always acknowledged. That Family Credit is to some extent popular and effective in allowing some claimants to develop opportunities to improve their lives may be partly because it is claimed at a

distance, by post, and because changes of circumstances do not have to be reported for a whole six months --- in other words, because it does not operate like a traditional means-tested benefit. Pressure for further means-testing has not receded and is likely to take fresh impetus from the public expenditure review in which the Government is engaged.

Chapter 25 The United States of America

25.1 Background

Demography

The USA is the largest country in the OECD. The population in 1992 totalled 255.6 million, but overall density remains low. Population growth in the 1980s was high both because of a natural increase and a high rate of immigration – legal and illegal. Partly as a result, the USA is ethnically and culturally highly heterogeneous. The population in 1990, as classified in the Census was: white 209.2 million, black 30.6 million and of Hispanic origin 22.6 million.

The proportion of the population aged 65 and over (12.6 per cent in 1992) was somewhat below the OECD average, and the proportion aged under 15 (21.9 per cent) somewhat higher. The number of working age people per dependent person (0-14 and 65 + years of age) was 1.9 compared with an OECD average of 2.0. The divorce rate is the highest in the OECD. Marriage and remarriage rates are also comparatively high, as is the proportion of families headed by a lone parent. The proportion of elderly people living with their children is relatively low (OECD, 1994d).

Employment and the economy

The USA is the largest single economy in the world and at purchasing power parity exchange rates still has the highest per capita income. Employment in the USA in 1991 totalled 116.9 million persons, a participation rate of 76.5 per cent, which is above the OECD average (OECD, 1993c). The rate for women too was above average (68.4 per cent in 1991 compared with an average of 60.5 per cent). The high rate of labour force growth in the 1980s was accompanied by the rapid growth of jobs: total employment rose by 2.6 per cent per annum from 1983-1990, though more recently it has slowed to slightly under one per cent per annum. The result has been a rate of unemployment below the OECD average both by national definitions and when standardised. In 1993, the unemployment rate was estimated as 6.7 per cent, compared to an OECD average of 7.8 per cent (OECD, 1994a). The long-term rate of unemployment is significantly lower than in most other countries: in 1992 only 11.2 per cent of those unemployed had been out of work for a year or more, compared with a European Union average of over 42 per cent and 28.6 per cent for the OECD as a whole. A high proportion of total employment, and of the new jobs created over the last decade, is in the service sector (OECD, 1993n).

The USA government (at all levels) continues to spend a lower proportion of GDP than most other OECD countries. In 1991 current general government expenditure was 36.4 per cent of G.D.P. However this still exceeded current government revenue, resulting in a deficit of 4.2 per cent of GDP. Given that the USA has a high level of defence spending, the relative share of public expenditure on social protection has been lower still: 14.6 per cent in 1990 (including health) compared with an average of 22.3 per cent in the EU and 21.1 per cent in other OECD countries (OECD, 1994d). Spending on the non-aged was notably low, at less than half the average OECD level. This was complemented by high levels of occupational and private expenditure. Non-public spending on health, for example, in 1991 accounted for 7.5 per cent of GDP, compared with around two per cent in the

OECD as a whole. This boosted total health spending to 13.4 per cent of GDP - the highest in the world.

The political framework

The political structure has several features which impinge on the organisation and processes of social security. The USA is a federal system in which all powers not specifically granted to the federal level are reserved for the states. The 50 states exhibit significant differences in welfare systems. Local government too is fragmented, with about 90,000 separate units. The Constitution enshrines a separation of powers between Congress (Senate and House of Representatives), the President and the Judiciary. This generates more complex decision-making procedures than in unitary states. Furthermore the Federal executive is fragmented between many Departments, Agencies, Bureaux and Boards. The first-past-the-post electoral system reinforces the two-party dominance. Within each party there is a considerable ideological range and political party discipline is weak, thus creating further obstacles to policy action. From 1980-92, control was split between the Republican presidency and a Democrat-dominated congress. Between 1992 and 1994 the Democrats controlled both, but in 1994 the Republicans gained control of both Houses of Congress.

25.2 The social security system

Introduction

In Esping-Andersen's (1990) classification of welfare regimes, the USA emerged as the archetypical 'liberal' regime, exhibiting residual public assistance benefits alongside extensive private provision, and a high level of 'decommodification' outcomes. The USA has not always been a welfare state 'laggard', however. It was a leader in the late 19th century, fell behind a gain in the development of public social policy in the early 20th century and became a leader again at the time of the New Deal in the 1930s.

According to many experts, the American welfare state is currently distinguished by a dichotomy between relatively generous social insurance provisions and a comparatively weak set of targeted programmes serving the poor. This is overlaid by a strong moral distinction in public discourse between 'social security' (desirable) and 'welfare' (undesirable and stigmatised). Another feature is that the US is the only OECD country without a comprehensive national system of health service or health insurance, although Medicare exists for the aged and some disabled people. Thus there is also a means-tested health assistance scheme (Medicaid) which extends the salience and complexity of the overall 'welfare' system.

Structure

The main present benefits are as follows (Green Book, 1993):

Retirement and Survivors' Pensions: Pensions are based on average earnings over the working career indexed and with weighting towards low earnings. At least ten years of coverage are required in order to receive benefits. The average monthly benefit paid to a retired worker in 1992 was \$653 (around £410) and to a widow or widower \$608 (£383). The normal retirement age is 65 but it will be increased gradually to 67 by 2027. Private company retirement plans cover a large proportion of the working population and augment social security pension levels.

Sickness and Disability Benefits: There is no federal sickness benefit and only five of the 50 states require income protection for short periods of sickness and disability. The disability insurance programme insures workers and their dependants against loss of income due to severe physical or mental disability expected to last more than one year or to result in death. Benefits and entitlements

are computed on the same basis as for retirement pensions, and average current payment in 1992 was \$626 (£394).

Unemployment Insurance: There is a federal state unemployment compensation system covering 99 per cent of wages and salaried workers or 90 per cent of all employed persons. However, only 52 per cent of the unemployed (at any one time) receive the benefit because of qualifying contributions and other conditions. There were, however, several periods of high unemployment in the 1980s and early 1990s during which Congress provided additional weeks to the normal entitlement. Benefits are related to earnings up to a state-determined maximum. Payment levels vary across states: in 1992 the average weekly benefit was \$173 (around £109) and the average duration was 16 weeks. Extended and supplemental benefits are also available. There were some curtailments in unemployment insurance benefits in the early 1980s.

Medicare: Medicare, authorized in 1965, is a federal health insurance programme for older people and certain disabled persons, providing compulsory hospital insurance and voluntary supplementary health insurance. The contribution conditions are the same as for old age insurance. Those not covered as eligible for social security may obtain coverage provided they pay the full actuarial cost. A detailed list of specified benefits is provided but they are further constrained by, and conditional on, deductions, co-insurance and premium conditions.

25.3 Social assistance

History

There are two main antecedents of present-day social assistance: local poor relief and federal/state categorical assistance schemes for particular groups. The 19th century history of poor relief in the USA was one of variable municipal relief schemes, complemented by extensive charitable organisations. On top of this, new federal and state means-tested schemes accumulated in the period before the First World War, especially 'mothers' pensions' (mainly for widows), Old Age Assistance, and Aid to the Blind. Almost all states were covered. The only reason that this is not considered the beginning of social security in America is that there was a discontinuity between these developments and the Social Security Act of 1935.

It is these categorical schemes which have been developed and augmented by subsequent federal initiatives. The 1935 Social Security Act established Old Age Assistance (OAA) and Aid for Dependent Children (AFDC), the former having tighter controls over states' discretion than the latter. The 1935 legislation also established Aid to the Blind and some years later a similar programme was developed for disabled people. In the 1960s new schemes were added alongside these, the most significant being the 1964 *Food Stamp Act* and the 1965 Medicaid Act, though there were many more. In 1974, OAA was federalized and renamed the Supplemental Security Income Programme (SSI). Thus federal state categorical assistance programmes have proliferated, especially over the last three decades, on top of a relatively unchanging system of local poor relief (Weir *et al.*, 1988; Handler and Hasenfeld, 1991).

General structure

The USA thus has an extensive, fragmented and categorical assistance system of great complexity. In 1990, spending on all assistance schemes amounted to \$ 152 billion, equivalent to 2.7 per cent of GDP and 19.1 per cent of public social protection expenditure.

The major contemporary programmes include the following (others are described in later sections):

Supplemental Security Income (SSI) is a means-tested, federally-administered income assistance programme for older, needy people (age 65 and over) and blind

and disabled people, authorized by Title XVI of the Social Security Act. It began in 1974 when it replaced the earlier federal/state matching grant programme. All but nine states provide optional supplementation to the federal payment.

Aid to Families with Dependent Children (AFDC) is a state-administered, federally-regulated, and jointly-funded programme providing payments for needy children deprived of parental care and support due to the death, incapacity or continued absence of a parent who is the principal earner. It is authorized under Title IV-A of the Social Security Act, originally introduced in 1935. Later the law was changed to permit states to provide benefits to couples with children where the principal wage earner is unemployed (AFDC-UP). From 1990 all states have been required to provide AFDC-UP to two-parent families who qualify.

Food Stamps (FS) is a federally-administered and funded programme, to supplement the food-buying power of eligible low-income households, authorized by the Food Stamp Act of 1977. Its other goal is to strengthen the agricultural economy through normal channels of trade. The programme provides booklets of coupons which can be exchanged at most food stores.

Veterans' Pensions are means-tested cash benefits paid to war veterans who have become permanently and totally disabled from non-service-connected causes, and to survivors of deceased war veterans. They are administered by the Department of Veterans Affairs which also extends free priority medical care to these groups of veterans, though not to their survivors.

Medicaid, authorized under Title XIX of the Social Security Act, is a federal/state matching-entitlement programme providing medical assistance for low-income persons who are aged, blind, disabled, members of families with dependent children, and certain other pregnant women and children.

Earned Income Tax Credit (EITC) is a refundable tax credit to help the working poor, enacted in 1975. It pays a credit, based on a percentage of earnings, to low-income heads of households. It is not regarded as social assistance, but needs to be considered along with the other programmes.

General Assistance (GA) programmes are local and/or state-administered programmes providing basic benefits to low-income people who are not eligible for any other form of federally-funded cash assistance essentially single people and couples without children. It is not covered by any federal regulations. In 1992, 22 states had uniform, statewide-regulated programmes; 20 states had no statewide programme but one or more counties or localities operated a programme; in eight states there was nothing.

There are others, listed in Table 25.1. The system is thus extremely complex and it was necessary to decide which scheme should be included in this study. Using a taxonomy of means-tested schemes developed elsewhere (Gough, 1994), these programmes can be grouped into four categories:

- General assistance schemes providing poverty-tested cash benefits for all people
- Group-specific assistance, providing poverty-tested cash benefits for specific groups
- Tied assistance, providing poverty-tested access to necessities in the form of subsidised goods or services, whether in kind or in cash
- Selective benefits, including other income-related schemes whose benefits reach up the income scale to include not only the 'poor'.

Table 25.1 allocates the major US schemes to these categories and estimates expenditure on them for 1990. It is evident that cash assistance accounts for just over a third of total spending and general assistance, even including Food Stamps.

for only one-tenth. Medicaid and other tied benefits account for nearly two-thirds of expenditure.

Table 25.1: A taxonomy of assistance programmes in the USA in 1990

| Category | Programme | Expend. (S ^b) | % |
|----------|--|------------------------------|---------------|
| | General Assistance | n/a | |
| | Food Stamps | 15.1 | 9.91 |
| | Supplemental Security Income | 16.1 | 10.57 |
| | Aid to Families with Dependent Children | 18.5 | 12.15 |
| | Veterans' Pension | 3.6 | 2.36 |
| | Total cash benefits (Med Food Stamps) | 53.3 | 35.00 |
| 3 | Medicaid | 72.1 | 47.34 |
| | Federal Housing Assistance | 15.7 | 10.31 |
| | Low-income Home Energy Assistance | 1.4 | 0.92 |
| | <i>School Lunch</i> and Breakfast Program | 4.3 | 2.82 |
| | Special Supplementary Food Program | 2.1 | 1.38 |
| | Job Training Partnership Act | 1.8 | 1.18 |
| | Head Start | 1.6 | 1.05 |
| | "Total in-kind assistance" | 98.9 | 64.94 |
| I--2-3 | TOTAL ASSISTANCE | 152.3 | 100.00 |
| 4 | Earned Income Tax Credit * | 5.3 | |
| 2-3+4 | Total means-tested + income related benefits | 157.6 | |

* Although EITC is included in the table it is not generally considered to be a means-tested benefit, since although it is income-related, there is no assets test

Source: Green Book. 1993.. various tables

This study focuses mainly on benefits in the first two categories - that is, general and group-specific assistance, and only refers briefly to those in the last two --- benefits in kind and non-poverty-tested benefits.

Apart from locally-based General Assistance, there is no comprehensive, national 'safety net' scheme in the USA. However there is a strong case for regarding Food Stamps as a national, general, poverty-tested scheme whose benefits increase poor families' general incomes by raising their food purchasing power. It is available to all groups with relatively few categorical restrictions, and provides uniform benefits according to common rules throughout the United States. We therefore include it in what follows.

The chief assistance programmes targeted on specific groups are AFDC and SSI. Veterans' pensions are often more generous, but are excluded from this study, not least because of lack of data.

The USA is most distinctive in the range of schemes which belong to the third category. Some low-income families are eligible for assistance with medical, housing, education and training costs. The most notable here is Medicaid, which reflects the absence of a national health insurance scheme. However, Medicaid and other tied benefits are not examined in detail in this study because of the complexity of the issues which they raise, and to preserve comparability with the other country studies. Nevertheless, it is important to bear them in mind, particularly when considering the interactions between schemes and overall outcomes.

EITC is only briefly discussed because it is not a poverty-tested, safety-net scheme. In 1991 it paid maximum amounts to people with annual earnings of below \$11,944 (around £7,510) and did not phase out the credit until earnings reached \$22,561 (£14,190). These earnings were substantially higher than the official 1991 poverty line of \$10.860 for a three-person family and 513,924 for four persons. It is the only income-related scheme in the USA which extends its benefits some considerable way up the income scale.

Variation between states is often significant, and for the purpose of this study reference is made mainly to the situation in four states in particular. These are New York, Pennsylvania, Florida and Texas, chosen to represent populous states with social assistance policies ranging from among the most to the least generous. In the case of General Assistance, since in the latter two states there is no statewide scheme, reference is made to the two largest jurisdictions - Dade County, Florida and Harris County, Texas - both of which operate a GA scheme.

Each of the four schemes is described separately under each of the headings which follow.

Administrative and regulatory framework

SSI: The SSI is administered primarily by the Social Security Administration, a federal agency, through its network of national, regional, district and field offices. It is thus administratively distinct from the other programmes. All but nine states provide optional state supplementation (among the four illustrative states, Texas does not). At the request of the states, the Federal Government can take over the administration of extra SSI programmes, leading to state savings. Seventeen states and the District of Columbia have contracted with the Social Security Administration for the administration of their supplementary programmes.

AFDC: The AFDC programme is administered at state level within federal guidelines. To receive federal funding, a state must enter into an agreement, via a state plan, with the Federal Government. This commits states to certain actions, including the universal application of the plan within the state, and to an average of 50 per cent of its financing (although there is a substantial range here). Within the terms of this agreement, states may opt to determine who is eligible, the level of benefits, and the form of administration (state or local). Administration is through local public assistance offices in counties or cities.

FS: The Food Stamp programme is administered nationally by the US Department of Agriculture, Food and Nutrition Service (FNS) and locally by state welfare agencies and local public assistance offices. The Federal Government is responsible for virtually all the rules that govern the programme and, with limited variations for Alaska, Hawaii and overseas territories, these rules are nationally uniform.

GA: New York and Pennsylvania operate statewide GA programmes with uniform eligibility criteria and benefit schedules (in New York it is known as Home Relief). Florida and Texas operate no such programmes and allow virtually total flexibility to their counties. In Texas, most counties have no programme; in Florida, only one has. In these two states we shall therefore restrict our attention further to the largest counties which both operate GA schemes: Harris County, Texas and Dade County, Florida. As a consequence the caseloads vary enormously.

In 1992 the average monthly caseload was:

| | |
|--------------|---------|
| New York | 300,000 |
| Pennsylvania | 145,000 |
| Florida | 1,000 |
| Texas | 950 |

Residence and nationality

SSI: To qualify for SSI, an applicant must be first a US citizen or lawfully admitted immigrant and secondly a resident of the USA. The former may include aliens who are 'permanent residents under color-of-law' (P.RUCOL) - that is, those who are not legally admitted for permanent residence but whose departure from the United States the Immigration and Naturalization Service does not contemplate enforcing. There are a further 17 categories of aliens who may receive SSI while their permanent residence status is being decided.

AFDC. To qualify, a person must be first a US citizen or lawfully admitted alien (includes PRUCOL aliens), and secondly a resident of the state in which assistance is provided. Children born in the USA are considered citizens and may receive AFDC in their own right even if their parents are not eligible. About 15 per cent of the present caseload consists of these 'child-only' units.

FS: To qualify, a person must be a US citizen or an eligible alien. This excludes those admitted under 'color-of-law' and those whose status is not yet approved.

GA.- No information available.

Duration of benefit entitlement

There are no time limits for the receipt of SSI, AFDC or FS. As regards GA, in New York benefits are available indefinitely as long as all eligibility requirements are met. The same is true in Harris County, Texas. In Pennsylvania, benefits for the chronically needy are available indefinitely- but those for the transitionally needy are restricted to three months out of 12. All GA benefits in Dade County, Florida last for a maximum of six months.

There has been much research on the length of time different claimant groups tend to spend in receipt of social assistance benefits (Green Book, 1993, pp.714-725). In particular, the research indicates that black, southern, teenage, unmarried, high school drop-out mothers and their children are those most likely to have long spells on AFDC. Apart from these groups, unmarried adolescent mothers with low education and low skills are those most likely to remain on benefit for long periods of time.

*Availability *Pr* work and labour market policy*

There is a work test attached to all the main benefit programmes except SSI. Particular attention has been paid in recent years to the work and training requirements attached to lone parents on AFDC. In some sense the whole development and expansion of the Earned Income Tax Credit (EITC) is part of an attempt to improve work incentives for the working poor.

SSI: There is no requirement to seek work. However an incentive to return to work is provided in PASS - the plan to achieve self support. This enables a disabled person to set aside income/resources for a work goal, which are excluded from the means test. There are other work incentive provisions.

AFDC: Unless exempt, all able-bodied adults must register for the Job Opportunities and Basic Skills Training^s (JOBS) programme. Exempt groups include those over 60, those who are ill or incapacitated and carers of young children (now reduced to three years or younger, and to only one year at state option). The Family Support Act of 1988 substantially revised the education and training requirements of the AFDC programme. This provides child-care services, or vouchers- cash or reimbursements, together with education and job skills training, and transitional access to Medicaid for families who leave AFDC because of increased earnings. These benefits and services must be primarily targeted at long-term AFDC beneficiaries and young parents under age 24. Sanctions are imposed if eligible people fail to participate.

Beyond the rules and exemptions, there are special quotas within the programmes which come into effect in 1995. Moreover, the states must have the capacity to accept people who are deemed eligible for the JOBS programme, and the requirements for matching funds between the Federal Government and the states have been such that many of the states have not been able to use the full federal funding.

FS: Unless exempt, able-bodied adult applicants must register for work, typically with the welfare agency or state employment service office. They must accept a

suitable job if offered one and fulfil any work, job search or training requirements established by the welfare agencies. Those exempt include the physically and mentally unfit, people aged below 16 years or over 60, and persons caring for dependants who are disabled or under six years old (or under 12 if adequate child care is not available). The Department of Agriculture provides financial support to each state to operate an employment and training programme. Only eight per cent of all FS recipients are registered for work.

GA: In 24 states GA recipients are required to participate in a work programme to qualify for assistance. This is the case in New York, Pennsylvania and Texas (Harris County). It is inapplicable in Dade County. Florida, since able-bodied people and families are ineligible for GA.

During the 1980s, a series of work experiments were undertaken by the states and evaluated by the Manpower Demonstration Research Corporation (M.D.R.C). Gradually, feeling the cost pressures of AFDC and the related Medicaid, the Governors pushed such experiments further and urged federal reform. The outcome was the Family Support Act of 1988 summarised above.

There have been extensive efforts at evaluating the impact of these changes. Despite the limited quotas for implementation of the JOBS programme, states have not made great progress in training women and seeing them leave the unemployment rolls for work, or in helping them to achieve wages that produce family incomes significantly above welfare level. A recent MDRC study found that where adolescent unwed mothers are concerned, these programmes had no employment impact at the end of 18 months: whether they do after a longer period remains to be seen. Nevertheless, success could be expected to be limited because of the unemployment situation and the difficulty states were having in providing matching funds for the JOBS programme. Research has also indicated that despite the various new incentives built into the system through transitional child care benefits and Medicaid benefits, take-up of the JOBS programme has been remarkably low. This was at least in part a consequence of negative attitudes on the part of staff in providing information to claimants and a failure to create outreach efforts.

Conditions of entitlement and the benefit unit

The benefit unit varies widely across the programmes. Generalising greatly, we can say that it is the individual in the case of SSI, the family in the case of AFDC and the household in the case of FS.

SSI: Alongside having limited income and resources (see below) a person must satisfy the programme criteria for age, blindness or disability. The aged are those 65 years and older. The disability condition involves being unable to engage in any substantial gainful activity by reason of a medically-determined physical or mental impairment which is either expected to result in death or has lasted, or can be expected to last, for a continuous period of at least one year. A child of any age under 18 who has an impairment of comparable severity to that of an adult may be considered disabled. A recent court case and new administrative policy now make it clear that impairment of children must be judged by criteria appropriate to children, not to adults.

Eligibility for SSI is based on individuals. However a portion of the individual's assessable income may be deemed from a spouse or parent. A man and woman are counted as 'married' for SSI purposes if they are living in the same household and are married, or present themselves as husband and wife to the community in which they live. Other related adults living in the household can claim benefit separately.

AFDC: AFDC is awarded to eligible children and to the parent, or other relative with parental responsibility, with whom the child lives. To qualify, a child must be aged under 18 years and be deprived of parental care and support due to the death,

incapacity or continued absence of a parent, or to the unemployment (working less than 100 hours a month) of a parent who is the principal earner_ These last are often called Unemployed Parent (UP) or AFDC-UP cases, as opposed to the families eligible under the first three criteria, who are called AFDC-Basic cases.

The resources of the applicant's household must also fall below the state's limits. The assistance unit comprises the child and his/her natural or adoptive parents and blood-related and adopted siblings who are living in the same household and are otherwise eligible for assistance. There is no lower age for the mother. The definition of cohabiting is similar to that of the SST.

Recently the Federal Government has permitted states to waive AFDC rules in order to experiment with ways of rewarding marriage over cohabitation or separation. These waiver experiments are apparently not being carried out very rigorously and there is some doubt as to whether they will produce any conclusive evidence.

FS: All low-income households are eligible, with the exception of certain groups such as people on strike and illegal aliens. The benefit unit is the household. Individuals living together constitute a 'food stamp household' if they customarily purchase food and prepare meals in common. The youngest age at which food stamps can generally be claimed is 18. The other main condition for receipt of FS is that eligible household members must fulfil work registration, employment and work training requirements.

GA: Eligibility for General Assistance varies widely between states. In New York, all categories of needy people are eligible. In Pennsylvania, the eligible categories are 'chronically' needy people (the disabled, children and caretakers) or 'transitionally' needy people (employable people who are otherwise eligible for GA but do not qualify as chronically needy). Dade County, Florida restricts entitlement to 'incapacitated' people over 18, and Harris County, Texas to disabled people and unemployed people with children.

Income and assets tests

What follows is an attempt to discern the main salient factors from a highly complex set of regulations and practices. The amount of assessable resources is used to determine both entitlement to, and the amount of, each benefit. though different criteria may apply to each. The means test for SSI and FS is more generous than that for AFDC.⁴³

SSI: Assessable income includes all of an individual's income with certain exceptions. The most important of these *are:* the first \$20 per month, the first \$65 per month of gross earned income plus one half of remaining earnings, EITC refunds or advanced payments, PASS monies (see below), several in-kind assistance benefits including FS and housing assistance. and one-third of child support payments made by an absent parent. If a recipient is 'living in the household of another', the SSI benefit payable is two-thirds of the regular benefit.

Capital resources are also relevant in determining eligibility. All of a family's assets above \$2,000, or \$3,000 in the case of married couples, are counted, with several exceptions. The main exclusions are the family home, an automobile, household goods, life insurance policies with a face value of less than 81,500, and funds set aside for burial of up to \$1,500 for each person.

Assessable resources reduce payments on a dollar-for-dollar basis, except for earned income, which attracts a 50 per cent withdrawal rate.

⁴³ For more details of income disregards see Green Book 1993. pp. 819-823 (for SSTk pp. 615-622 (for AF.t?C) and pp. 1609--1615 (for Food Stamps).

AFDC: There is a three-step process for determining financial eligibility and the amount of benefits.

- (1) A family's total income must be less than 185 per cent of the state's 'need standard'. This is commonly called the 'gross income test'. The state need standards vary by a factor of almost 5:1 across the 50 states.
- (2) The assessable income of the family must be below the state's need standard this is the 'determination of need' test.
- (3) To determine the amount of benefit, the family's assessable income is compared with the state's 'payment standard', which may be below its need standard.

In the last two stages all income is taken into account except for certain disregards. These include: the first \$30 per month, one-third of the remainder of earned income, the earned income of a dependent child who is a student, supplemental food and some other assistance, and EITC refunds or advanced payments. At state discretion other assistance benefits including FS may be disregarded.

Capital resources are also relevant in determining eligibility except for certain disregards. These include: the family home, one car, and funeral arrangements of up to \$1,500 per person. At state discretion household goods and furniture may be disregarded.

Payments are reduced by the applicant's income dollar for dollar, except for earned income which attracts a 66.7 per cent withdrawal rate.

FS. There are two tests for Food Stamps. First, the gross income of the household must be below 130 per cent of the federal poverty guidelines for that household size. Secondly, net income must be below 100 per cent of the federal poverty guideline. Households with an elderly and disabled member are treated more generously and are subject only to the net income test. The poverty guideline for a family of three in 1993 was \$5965 per month (about £607 in purchasing power parities). Net income is defined as gross income less certain deductions, including \$127 per month, 20 per cent of combined household earned income, EITC refunds or advanced payments, dependent care expenses (up to \$160 per month per dependant), and excess shelter expenses where shelter costs exceed 50 per cent of the household's remaining income, up to \$200 per month. Rules are more generous for households with an aged or disabled member and include a deduction for medical expenses. The assets test is similar to that for SSI.

Food voucher benefits are reduced by 30 cents for each dollar of net income.

GA: Most states have explicit income and assets limits, though some rely on a case-by-case approach. New York (New York City) in 1992 had a monthly income eligibility limit of \$352 for a single person and \$577 for three persons, and used the AFDC assets test. Pennsylvania used lower monthly limits for these two households of \$2.15 and \$421, while Harris County, Texas, had still lower limits of \$110 and \$198. Both used an assets limit lower than for AFDC. In Florida (Dade County) recipients must have no income or assets whatsoever to be eligible. If any property is owned, they must sign an agreement requiring repayment of benefits if the property is sold.

Benefit fees

The most important difference between the programmes is that SSI and FS benefits are nationally uniform, whereas AFDC and GA benefits vary considerably across states.

SSI: The federal benefit rate is determined nationally. In 1993 it was \$434 per month (around £273) for an eligible individual and \$652 per month (£410) for an eligible couple. In 1993 the individual rate was equivalent to 75 per cent of the

poverty threshold (86 per cent when Food Stamps are included). For a couple including FS the rate was 102 per cent of *the* poverty line. Annual automatic uprating takes place using the cost-of-living adjustment (COLA) calculated by the Bureau of Labor Statistics.

States that supplement SSI have their own rules of eligibility. In 1992 all but nine states and jurisdictions provided some form of optional state supplementation. For individuals living alone. New York added \$86 per month in 1993 and Pennsylvania \$32 per month. Texas has no supplement and Florida provided supplementation to only 28 recipients in 1993.

AFDC: States define 'need', set their own benefit levels, and establish (within federal limitations) income and resource limits. Each step of the three-stage means test described above contributes to wide differences between states in AFDC payments. Table 25.2 reveals a 3:1 variation across our four states. There are no federal limits and no formula for uprating benefit levels - states may raise (or lower) their benefit levels as they see fit.

Table 25.2: AFDC eligibility cut-offs and maximum payments in four states: three person family, January 1993 (\$ per month)

| | NY (NY City) | Pennsylvania | Florida | Texas | Median |
|---------------------|--------------|--------------|---------|-------|--------|
| State need standard | 577 | 614 | 965 | 574 | 620 |
| Maximum AFDC grant | 577 | 421 | 303 | 184 | 372 |

Note: Purchasing power parities for 1993 were USSI = £0.63

Source: Green Book, 1993, Tables 12 and 13, pp 659-664

FS: Income eligibility standards, benefit levels and uprating are undertaken nationally. They are the same for the 48 contiguous states and somewhat higher in Alaska and Hawaii, reflecting higher food prices. Levels are based on the Thrifty Food Plan, a low-cost model diet based on recommended dietary allowances and studies of the food choices of low-income households. Maximum monthly benefit levels in 1992-93 for households of 1 --6 members were: \$111, \$203, \$292, \$370, \$440, \$528. The average monthly benefit per person in 1992 was \$68.57 (around £43).

GA. There are wide variations. Sample maximum monthly benefits in 1992 were as follows:

| | Single person | Three persons |
|-----------------------|---------------|---------------|
| New York | 5352 | \$577 |
| Pennsylvania | 5215 | \$421 |
| Florida (Dade County) | \$220 | \$300 |
| Texas (Harris County) | \$10 | \$198 |

In New York, there is some variation across the state because of differences in estimated heating costs.

Other social assistance-linked benefits

There is a wide range of other means-tested benefits. Most, apart from veterans' benefits, are 'passported' via the receipt of AFDC, SSI and in some cases Food Stamps.

Veterans' Pensions. The Department of Veterans' Affairs offers a wide range of benefits and services to eligible veterans, members of their families and survivors of deceased veterans. However many of these are not means-tested. The major assistance benefit is the veterans' pension paid to war veterans who have become permanently and totally disabled from non-service connected causes and to survivors of war veterans. The benefits now vary by family size and provide an income floor - in 1991, \$616 a month for a veteran living alone and \$807 a month

for a veteran with one dependant. Benefits to survivors are about two-thirds of these levels. Similar groups are also covered for priority medical programmes via the D¹A's own nationwide health system. The numbers receiving these benefits and aggregate spending levels tend to decline year by year.

Medicaid: Medicaid is the most expensive and most rapidly increasing means-tested benefit available in the US and accounts for almost one-half of total assistance expenditure. It cannot be adequately dealt with here. It is a federal/state matchin^g entitlement programme providing medical assistance for low-income persons who are aged, blind, disabled, members of families with dependent children and certain other pregnant women and children. States must provide Medicaid to all persons receiving AFDC. to certain AFDC-related groups and to qualifying low-income Medicare beneficiaries. In several they must also cover recipients of SSI. Forty-one states provide Medicaid to at least some groups of the 'medically needy' - those eligible on non-financial grounds but whose income and resource levels are too high before, but not after, medical treatment. In 1990 Medicaid covered 10.6 per cent of the total US population and 47 per cent of those with incomes below the federal poverty level. The medical services provided include a long list of items. including in-patient and out-patient hospital services. States may, at their discretion, provide additional services including medicines.

School Lunch and Break/cyst Programme: These programmes provide federal cash and commodity support to participating schools and residential institutions, to subsidise meals for children from low-income households. Children in AFDC recipient families are automatically eligible for free meals and 49 per cent of AFDC households receive them. Other children with incomes below 130 per cent of the poverty line receive free meals, and those with incomes between 130 per cent and 185 per cent of the poverty line receive meals at a reduced price. The Lunch programme covers nearly all schools; the Breakfast programme about half.

Special Supplemental Food Programme for- Women, Infants and Children (WIC): This provides food assistance and nutritional screening to low-income pregnant and post-partum women and their infants plus children up to five years old in low-income families. Participants must have incomes below 185 per cent of the poverty line and must be 'nutritionally at risk', but states may set income eligibility levels within limits. Beneficiaries receive supplemental foods each month, usually in the form of vouchers. In 1991, the programme served 4.8 million recipients, some 56 per cent of those estimated to be eligible and at risk, but the amounts provided were small.

Job Training Partnership Act The 1982 Act provides federal grants to states to fund training and related services for economically disadvantaged youths and adults. These are administered by states and localities, which select participants and design projects within federal guidelines. The aid is intended to enhance future employment and earnings and includes institutional and on-the-job training, counselling and other assistance. Families receiving AFDC or FS are defined as economically disadvantaged. as are those with incomes below the poverty line. In 1991, 27 per cent of the 600,000 new participants were on AFDC when they enrolled. The Job Corps also provides an intensive range of services in a residential setting for disadvantaged youths aged 14...71.

Head Start: Initiated in 1965, Head Start provides a wide range of services to low-income families with children up to five years of age. It is essentially a compensated education programme which provides a half day (sometimes full day) child-care programme. with a variety of enhancements. They include cognitive and language development, medical screening, nutritional and social services. At least 90 per cent of the children must come from families below the poverty line and ten per cent must be disabled children. In 1991 approximately 580.000 children received help under this programme, about 28 per cent of those estimated to be eligible.

Earned Income Tax Credit (EITC): EITC was enacted in 1975 as a refundable tax credit concerned with helping the working poor with children. More recently the emphasis has also been on improving incentives to work. If the amount of the credit exceeds the taxpayer's federal income tax liability, the excess is payable to the taxpayer either as a lump-sum refund or as a periodic advance payment. The Omnibus Budget Reconciliation Acts (OBRA) of 1990 and 1993 substantially increased the amounts and extended the eligibility of the credit. To qualify, a taxpayer must normally have a qualifying child, defined according to relationship to the taxpayer, residence and age (under 19, or 24 if a full-time student). The maximum credit for a family of two or more children in 1994 is \$3,370 per annum (around £2,100). It is withdrawn at a rate of 21 per cent for earnings above \$ 11,000 and is completely phased out at an income of 527,000. In the 1993 reforms, the requirements for a 'qualifying child' were dropped, but even so only a small number of adults without children will be eligible. There is no assets test associated with EITC. OBRA 1990 specified that EITC was in future not to be taken into account as income or resources in determining eligibility for, or the amount of, SSI, AFDC, FS and Medicaid. In 1990, 11.2 per cent of the population claimed EITC, with the rate varying substantially between states in inverse ratio to their per capita income.

One-off and urgent payments

The general tendency has been to try to reduce the provision of exceptional payments and to establish clear guidelines and standard budgets, originally as a way of discouraging the welfare rights movement (whose advocates used these benefits as an organizing technique).

SSI: Formal emergency-need payments are provided in three separate programmes: interim assistance in cash or vendor payments while a disability claim is pending; a fund called 'Imprest' provide cheques for direct field office payments to applicants faced with an immediate need; presumptive blindness/disability payments. The first two are deductible from subsequent SSI payments.

AFDC: Emergency Assistance to Needy Families with Children (EA) provides immediate temporary assistance to needy families with children to prevent destitution. This is an optional programme and presently operates in 37 states (including our illustrative states except Texas). A state-administered programme under federal guidelines, it typically sets income limits at AFDC levels and uses local AFDC agencies as the contact point. Most states require that any family assets be used to meet the emergency. Benefits are short-term and cannot exceed 30 days in any 12 consecutive months. They may take the form of cash, vouchers, medical aid, in-kind benefits, or services such as information, referrals and counselling.

Table 25.3: Emergency Assistance: caseloads and payments, 1992

| | New York | Pennsylvania | Florida | Texas | US Total |
|-------------------------------------|----------|--------------|---------|-------|----------|
| Average monthly caseload | 14,580 | 525 | 848 | None | 52,906 |
| Average family payment \$ per month | 5482 | 5418 | 5357 | | 8421 |

Source: Green Book, 1993, Table 9, pp. 652-653

FS: Households in immediate need because of little or no income and very limited cash assets, as well as the homeless and those with extraordinarily high shelter expenses, must be given expedited service and provided with food stamps within five days of application.

GA: Some states have GA emergency assistance programmes that provide limited assistance to needy people in times of crisis, such as when a home is destroyed by fire or natural disaster, when utilities are turned off for non-payment of bills, or when an individual or family runs out of food or faces imminent eviction for non-

payment of rent. Such assistance is usually limited to one time only and benefits are restricted to actual expenses. GA emergency assistance is similar to AFDC emergency assistance, except that the latter serves only families with children and is partially funded by the Federal Government. There is little information available on emergency assistance under GA programmes.

Interaction with other programmes

There are complex interactions between these four programmes, and between them and the other tied or in-kind assistance programmes mentioned earlier. Indeed this is one of the most distinctive features of the US assistance system. There are three main interactions:

- (a) where receipt of one programme gives entitlement to benefits under other programmes
 - (b) where the level of one benefit is offset due to receipt of other benefits
 - (c) where the receipt of one benefit reduces benefits from other programmes.
- SSI:
- (a) In 31 states (including all four considered here) SSI leads to automatic entitlement to Medicaid. Twelve states impose Medicaid eligibility criteria (either as regards disability or financial eligibility) which are more restrictive than SSI criteria. In all states, most SSI recipients are eligible to receive FS, and they are categorically eligible if they live alone or in a household where all other members receive SSI benefits.
 - (b) An individual cannot receive both SSI and AFDC benefits.
 - (c) Administratively, SSI takes precedence over other assistance benefits, such as GA, because payments are met by the Federal Government.
- AFDC:
- (a) States must provide Medicaid to families receiving AFDC payments. Most are automatically eligible for, and receive, FS. There is also automatic eligibility under certain circumstances to subsidised *child-care* services.
 - (b) An individual cannot receive both SSI and AFDC benefits.
 - (c) Administratively, AFDC takes precedence over other assistance benefits (except SSI).
- FS:
- (a) Receipt of FS entitles people to consideration for job training grants under the 1982 JTPA (see below).
 - (b) Most assistance benefits are excluded from income calculations of entitlements for FS.
 - (c) Receipt of food stamps does not affect eligibility for, or benefits provided by, other welfare programmes.
- GA:
- (a) Recipients of state GA payments are generally eligible for FS if the household is composed entirely of AFDC, SSI or GA beneficiaries.

It is important to note that since January 1991 FITC refunds or advance payments are not taken into account as income or resources in determining eligibility or amount of benefit for SSI, AFDC, FS or Medicaid.

To summarise, the two main, and mutually exclusive, 'entry points' are SSI and AFDC. Beneficiaries of these are normally entitled to Food Stamps and Medicaid. However, certain low-income families excluded from SSI and AFDC can apply separately for Food Stamps and/or Medicaid. They may also be entitled to General Assistance --- if there is a scheme in their *area*. EITC is always an additional benefit which does not detract from the others.

There have in the past been a number of experiments with a single application form covering all means-tested benefits and there are currently demonstration experiments in several jurisdictions focusing on this possibility.

Administration and the claiming process

SSI: Applicants may claim in person, by mail or over the telephone via a toll-free 'teleclaim' system. Identification is via Social Security Numbers issued by the SSA. Eligibility is reviewed periodically, but the period varies from one to three years depending on the claiming profile of the recipient. Reports of changes in circumstances are required in the month following and delays may cause a penalty reduction in payments. Payments may be either by cheque or by direct deposit into a bank account.

Fraud is detected by a variety of means, including computer matching and field investigations by the Office of Program Integrity Review in the Office of the Inspector General.

A clear right of appeal as to eligibility or amount of payment exists at four successive levels: (1) a reconsideration via *Case Review*, Informal Conference or Formal Conference; (2) a hearing before an administrative law judge of the SSA's Office of Hearings and Appeals;; (3) an Appeals Council Review; (4) a civil action in a federal district court. There have been major appeals in recent years by adult and child disability applicants for SSI. Some of these have been very successful, to the point that the Supreme Court several years ago required a redefinition of disability in SSI to make it much more adaptable to the disabled children's actual circumstances. This has contributed to an explosion of disability claimants on the SSI rolls.

AFDC: In general, applications can only be made in person at the local public assistance office. Identification is via a Social Security Number issued by SSA. Eligibility is reviewed at least every six months with a face-to-face redetermination every 12 months. Recipients are required to report all relevant changes in circumstances. States have the option of requiring certain categories of AFDC families to file monthly reports on income, family composition and resources. There are extensive automatic and manual systems for *detecting* and controlling fraud.

There is one level of appeal --- to a 'fair hearing' before the state agency, or, in areas where the state supervises local administrations, to an 'evidential hearing' at the local level.

FS: Applications must usually be made in person at the local Food Stamp office, which is frequently the same as the local welfare office. The FS application may be combined with that for AFDC. Identification is via Social Security Number. Households where income is very stable tend to be certified for a year and those with fluctuating incomes for shorter periods, such as one to three months.

Food Stamps are issued monthly. They may be used to buy most food or food products for human consumption, as well as seeds and plants for home gardens. They cannot be used to buy alcoholic beverages and tobacco, hot foods, foods intended to be eaten or heated in the store, vitamins or medicines, pet foods, and any non-food items. Recipients may be required to show their food stamp ID card in a store or supermarket.

GA: Some states, such as Pennsylvania, closely supervise local GA programmes; others, like New York, run them in conjunction with counties; others exercise little authority other than requiring counties to care for their poor (Florida and Texas). Payments are usually made via cheque or vendor payments/vouchers - that is, direct payment to a landlord or business concern for goods or services delivered to the client. The appeal systems, if any, are unknown.

Most of the staff who review eligibility for these programmes are regarded as a form of specialist clerical worker, not as social workers. There is no integral link between the provision of social assistance and of personal social services. Professional social workers are more likely to be found in public child-welfare programmes, particularly in the area of child abuse/child neglect, and in general social service work. Many states also employ social workers as administrators and on management and supervisory levels in areas of welfare.

There are outreach efforts made with regard to Food Stamps and SST, with funds available for such campaigns, but not with regard to AFDC. These efforts include newspaper and television advertisements and various kinds of articles which are stimulated by the public authorities. It is, nevertheless, thought that within the main target communities there is widespread knowledge of all the available entitlements and benefits, and there are extensive networks of referrals through social agencies, churches, schools and other organisations.

Successful appeals also require that welfare rights and legal services groups, social agencies or professional groups represent people. Appeals have been particularly important in recent years concerning adult and child disability claimants for SSI. It is regarded as being easier to claim SSI than it is to claim AFDC or General Assistance, Food Stamps and Medicaid, because SSI claims are dealt with by Federal social security offices, while the others are claimed at the local public assistance office in the county or city. In general, discretion is less, application easier and the procedural rights of claimants are greater, as one moves from GA through AFDC to FS to SSI.

The role of non-governmental organisations in social assistance

Non-governmental organisations do not play any official role in social assistance in the United States. They concentrate on making referrals to the bodies delivering social assistance and they intervene to help people, through outreach efforts, representation, counselling and ombudsman activity. In some jurisdictions where voluntary social agencies have substantial funds, particularly those connected with large welfare federations or religious organizations, they sometimes supplement social assistance and more often help families until they become eligible for social assistance. These organizations also sometimes make resources available for emergencies or for special 'investment' in families to help them with particular problems or new family initiatives. More often, they offer advice and guidance of various sorts.

There is no clear 'poverty lobby' in the USA in the sense of a single national organization or clearly defined network of organisations or social movements. Nonetheless, significant numbers of think tanks, advocacy groups and organisations are concerned with these issues and monitor developments. The most influential is the Center on Budget and Policy Priorities. The most influential child poverty or general child advocacy organization is the Children's Defense Fund. Both are located in Washington DC and funded by private foundations.

25.4 Housing assistance

There is no national housing assistance scheme, but since the 1960s there have been a number of federal programmes administered by the Department of Housing and Urban Development addressing the housing needs of lower-income households. One of these was a programme of public housing which existed until the Reagan administration, but was not funded thereafter.

State and local schemes providing help with housing costs comprise both rental and mortgage assistance schemes - the former is of growing importance. They generally reduce tenants' rent payments or house buyers' mortgages and allied payments to a fixed percentage of their income after certain deductions. Assistance to renters takes two basic forms: project-based aid tied to specific housing projects, and household-based vouchers which permit renters to choose from standard

housing units. The latter have expanded at the expense of the former in recent years. The 1990 Housing Act authorised a new indirect approach in the form of block grants to state and local governments which may use them for a variety of forms of housing assistance. The total number of households receiving housing assistance has increased substantially from 3.2 million in 1977 to 5.7 million in 1993, though this is still a small number in relation to the level of need.

The Low-Income Home Energy Assistance Programme (LIHEAP) should also be considered here. Since 1981 it has permitted states to provide assistance to low-income households with their heating and air-conditioning bills and low-cost weather-proofing, and has authorised grants to help them. States have considerable discretion, within federal limits, to determine eligibility criteria and the forms of assistance they offer. They can make recipients of SSI, AFDC, FS and Veterans' Pensions automatically eligible for the benefits and extend them to other low-income households.

Despite these growing programmes, housing assistance is marginal, uneven and widely regarded as inadequate in the US. It is likely that many low-income households spend part of their food budgets on housing and heating as a result.

25.5 Trends in expenditure on social assistance

Table 25.5 gives figures for expenditure on the main assistance benefits since 1980 and the proportion they make up of wider social spending.

Table 25.4: Expenditure on social assistance in the USA, 1980-1993, annual prices in \$billions, and percentage of social protection expenditure

| Year | SSI | AFDC | FS | Total cash asst ¹ | Medicaid | Other tied asst ² | Total asst protection ³ | Total social | Cash asst! social see % ⁴ | Total asst! social sec % |
|------|------|------|------|------------------------------|----------|------------------------------|------------------------------------|--------------|--------------------------------------|--------------------------|
| 1980 | 7.9 | 12.0 | 8.7 | 32.2 | 25.8 | 12.7 | 70.70 | 381.8 | 8.43 | 18.52 |
| 1981 | 8.6 | 12.8 | 10.6 | 35.8 | 30.4 | 14.2 | 80.40 | 434.1 | 8.25 | 18.52 |
| 1982 | 9.0 | 12.9 | 10.4 | 36.2 | 32.4 | 14.0 | 82.60 | 471.2 | 7.68 | 17.53 |
| 1983 | 9.4 | 13.6 | 12.0 | 38.9 | 35.0 | 15.8 | 89.70 | 519.3 | 7.49 | 17.27 |
| 1984 | 10.4 | 14.4 | 11.5 | 40.2 | 37.6 | 16.6 | 94.40 | 537.7 | 7.48 | 17.56 |
| 1985 | 11.1 | 14.6 | 11.6 | 41.1 | 40.9 | 31.3 | 113.30 | 574.8 | 7.15 | 19.71 |
| 1986 | 12.1 | 15.2 | 11.4 | 42.6 | 44.9 | 18.7 | 106.20 | 609.7 | 6.99 | 17.42 |
| 1987 | 13.0 | 16.3 | 11.3 | 44.4 | 49.3 | 19.2 | 112.90 | 648.5 | 6.85 | 17.41 |
| 1988 | 14.4 | 16.7 | 12.0 | 47.0 | 54.1 | 20.7 | 121.80 | 697.0 | 6.74 | 17.47 |
| 1989 | 14.7 | 17.2 | 12.5 | 48.4 | 61.2 | 21.6 | 131.20 | 754.2 | 6.42 | 17.40 |
| 1990 | 16.1 | 18.5 | 15.1 | 53.3 | 72.1 | 23.3 | 148.70 | 796.8 | 6.69 | 18.66 |
| 1991 | 18.0 | 20.4 | 18.2 | 60.6 | 94.5 | 25.3 | 180.40 | | | |
| 1992 | 21.3 | 22.2 | 21.9 | 69.1 | 118.2 | 27.5 | 214.80 | | | |
| 1993 | 23.9 | 23.0 | | | 140.3 | 24.5 | 164.80 | | | |

¹ Including GA and Veterans' Pensions (not shown)

² Excluding LIHEAP allotments, for which insufficient data. The bulge in expenditure in 1985 is due to the costs of housing aid, reflecting a once-for-all repayment of the capital cost of public housing construction undertaken between 1974 and 1985.

As defined by OECD

³ Social security figures based on OECD Household Transfer Database

Sources: 1993 Green Book, pp. 867, 679, 1609, 1646, 1675-1691; *OECD* [1994c] p.59; figures exclude administrative costs wherever separately identified

Table 25.5 distinguishes the major programmes as well as the categories of assistance expenditure introduced earlier. By 1992 the costs of SSI, AFDC and FS were roughly equal. This represented a faster growth in SSI and FS spending in the period from 1980 than for AFDC spending. For all three programmes, however, a halt to growth in 1981-82 was followed by a slow expansion until 1989 and then by much more rapid increase up to 1993. Medicaid has grown faster than any other programme - by a factor of 4.6 in money terms to absorb 70 per cent more than all the cash programmes combined. Other 'tied' assistance schemes, notably

housing aid, remain substantial spenders too, raising the share of in-kind spending (excluding FS) to two-thirds of the total for assistance.

As a share of total social protection expenditure, the cash assistance programmes (including FS) have lost ground in the 1980s, falling to about seven per cent of social spending, though they are probably recouping some of this loss in the 1990s. Boosted by Medicaid spending, the share of total assistance has stayed roughly constant at just below one-fifth of the total. This is a higher share than in most other nations, but the downward trend in spending on cash assistance is unusual.

25.6 Trends in receipt of social assistance

Table 25.5: Numbers of recipients by programme, 1980-1993 (millions)

| | SSI | AFDC | FS | Medicaid |
|------|-----|------|------|----------|
| 1980 | 4.1 | 10.6 | 19.2 | 21.6 |
| 1981 | 4.1 | 10.9 | 20.6 | 22.0 |
| 1982 | 3.9 | 10.2 | 20.4 | 21.6 |
| 1983 | 3.9 | 10.6 | 21.6 | 21.6 |
| 1984 | 4.0 | 10.6 | 20.9 | 21.6 |
| 1985 | 4.1 | 10.7 | 19.9 | 21.8 |
| 1986 | 4.3 | 10.9 | 19.4 | 22.5 |
| 1987 | 4.4 | 10.8 | 19.1 | 23.1 |
| 1988 | 4.5 | 10.9 | 18.7 | 22.9 |
| 1989 | 4.6 | 10.8 | 18.8 | 23.5 |
| 1990 | 4.8 | 11.7 | 20.0 | 23.3 |
| 1991 | 5.1 | 12.7 | 22.6 | 28.3 |
| 1992 | 5.6 | 13.6 | 25.4 | n a |
| 1993 | 6.1 | 14.0 | 26.6 | rva |
| 1994 | 6.6 | na | n.'a | n a |

Source: Green Book, 1993, pp. 853, 688, 1622.. 1648

All of the programmes show gradual increases over the decade, with SSI in particular showing substantial proportionate growth. Since 1982 the number of recipients has increased by just over 69 per cent.

25.7 Policy issues

Poverty and the level of benefits

By almost every cross-national measure, the USA has the highest level of income inequality and relative poverty in the Western world. Data from the Luxembourg Income Study for 13 countries reveal the percentage of people with incomes below 40 per cent and 50 per cent of the median income in each country (Forster, 1994). In 1986 the shares for the USA were 12.8 per cent and 18.4 per cent respectively, compared with 4.5 per cent and 8.9 per cent for the average of the 13 countries. The poverty gap is also greater: it would require an expenditure equivalent to 1.5 per cent of GDP to raise everyone above this standard in the USA, double that in any other country for which we have data. The rate of poverty is especially high among children.

Since the mid-1960s federal 'poverty thresholds' have been published every year. The original thresholds calculated the amount of money required to purchase the lowest cost 'nutritionally adequate' diet for different sizes of household (roughly equivalent to the current Thrifty Food Plan) and multiplied these by three. Since then this threshold has been increased each year by the change in the Consumer Price Index. The 1991 threshold for a single person was 56,932 per annum and for a family of three persons 510,860 per annum. By this standard, 35.7m people, 14.2 per cent of the total population, were poor in 1991, although if Food Stamps are included, the poverty rate goes down to 12.4 per cent. The incidence is higher among black people and those of hispanic origin and among all children, notably in families headed by single women. This threshold is of considerable importance in determining eligibility to certain benefits (Green Book, 1993),

There is widespread agreement among the public at large, government officials, and public policy scholars that poverty is a serious problem. Child poverty is particularly highlighted in much of the media, as is poverty among various minority groups. A central issue is how to help poor children (which is popular) without also aiding their parents (which is unpopular). Much of the focus, however, is on the long-term (persistently) poor population. This particular subgroup among the poor is often termed the 'underclass' and has received extensive media attention. It is a subject of political controversy with regard to both causal factors and policy responses.

As regards the causes, the public debate is about whether current poverty, in particular child poverty, is caused by the growth in single-parent, female-headed families: by major shifts in the economy which leave the uneducated and unskilled without prospects: or by inadequate social policy. The visible responses and the proposed solutions, however, all focus on what to do about various behavioural problems, in particular long-term and extensive use of public assistance (equated with AFDC). This is the heart of the current political controversy: what should be the nature of welfare reform and how to reduce the number of claimants on AFDC and the extent of public expenditure. (There was talk of economic stimulus packages and job creation during the first Clinton years in office but with economic growth and Republican control of both houses of Congress the public focus is now on welfare.)

Much of the current public concern with poverty is linked to claims that welfare itself is partly responsible for poverty by creating work disincentives or marriage disincentives, or incentives to have babies, or that it in some way creates either a welfare trap or a moral hazard. Murray (1984) has argued that young girls are having babies out of wedlock because of AFDC and that public assistance should be abolished in order to halt out of wedlock births. Similar claims have been made by Lawrence Mead (1986) about employment. There is some evidence that the AFDC payments in the more generous states may create at least remarriage disincentives if not marriage disincentives *per se*.

The theme of work disincentives has been a continuing one for at least the last two decades. There is much discussion, many estimates, much general agreement, but limited hard data about welfare/poverty/unemployment traps affecting those on public assistance. Among the various mechanisms designed to remove or alleviate these disincentives, is the earned income disregard for those on AFDC who gain a job. The development of the Earned income Tax Credit (EITC) as a benefit for working poor with children is also an effort to provide a benefit which tapers out as earnings increase. The EITC was introduced as part of the 1988 welfare reform initiative which also allowed AFDC claimants entering work to continue receiving subsidized child care and Medicaid for one year after they begin work. In the *current* welfare reform proposals there are a number of provisions for AFDC claimants entering work to be permitted to receive child-care subsidies.

None of the major anti-poverty organizations at the present time is advocating or proposing federalising AFDC, establishing a minimum AFDC benefit, indexing AFDC, or anything similar to improve the living conditions of the poor. This is a reflection of an inevitably defensive stance at a time when the President's welfare reform proposals are being overtaken by efforts from the political right to limit AFDC and other welfare benefits even further. Organisations are mainly concerned to try to limit the punitive effects of proposed reforms.

Stigma

Within social assistance there are distinctions between deserving and undeserving recipients in the United States. The effort in the early 1970s to federalise all social assistance benefits failed, but nonetheless was partially implemented when *the* social assistance benefits for the poor elderly and disabled, including the blind, were federalised. Following that legislation, the only categories that remained as

recipients of locally-administered social assistance were lone parents and their children (AFDC) and working-age adults without children (General Assistance). Both can be seen as stigmatized. The group that is the most stigmatized at the present time are the single mothers and their children receiving AFDC. Within this population those who remain on assistance for any significant period of time become the most stigmatized and consequently the least 'deserving' recipients. Adults who may receive local general assistance where it exists also experience these attitudes but the national caseload is small.

In general, public opinion surveys all show the same thing: sympathy for the poor but very little sympathy for public assistance recipients. When there is publicity about hungry children or poor adults, support is expressed for provision through food banks or Food Stamps, but not through AFDC. There is enormous debate among political parties about what to do about social assistance. The public seems supportive of social insurance, just as much as it is unsympathetic to social assistance.

SR, after it was federalised, immediately became viewed by many people as a branch of 'social security'. It therefore carried no stigma and in fact was discussed by many as a 'pension'. In recent years, the component of disability has increased in that caseload, and courts have increasingly included within the disabled category people damaged by use of alcohol and drugs. There has been a concomitant stigma effect, leading to increasing discussion in Washington of finding some ways to control the growth of this programme as well. Consequently some severe time limit restrictions have been imposed and beneficiaries will be required to participate in a treatment programme, if the beneficiary fails to comply then his/her benefit will be suspended. Studies have also been set in train of the feasibility, cost and equity of paying benefits in these cases to a representative of the claimant on their behalf.

In conclusion, there is a kind of hierarchy in the level of stigma attached to certain means-tested benefits. Thus, the least stigmatized among these is SSI. The next in line would be Food Stamps, which although means-tested are far more acceptable than certain other categories of assistance. They are objective, standardized and national. The two most stigmatized of the assistance benefits are AFDC and General Assistance.

Fraud

There has also been considerable public discussion of fraud since the 1960s. Indeed, it is likely that the fraud issue will be raised during political campaigns in most jurisdictions. It is generally agreed that there are two types of likely fraud: first, many public assistance recipients cannot possibly live on the low level of benefit and there are studies of expenditures which show that they spend more than they receive in public assistance. It is therefore assumed that they carry out a certain amount of work in the informal economy, particularly as domestic servants (house-cleaning and child care), which is not reported to the tax authorities. Secondly, there are other people involved in more complicated schemes using the same children for several applicant families or receiving payments in several cities or states. As a result, there has recently been some discussion of (and proposals for) the use of fingerprinting and other databanks as ways of uncovering fraud.

There has been extensive debate and many proposals about excluding illegal immigrants from every form of social benefit and possibly extending the period of exclusion for legal immigrants beyond the period now specified in law (three years). On the other hand, in many jurisdictions there are in fact outreach efforts to members of various racial and ethnic minority groups as well as to the homeless.

25.8 Recent and forthcoming changes

The Reagan administration took a hard-line approach toward welfare, largely restricting benefits and cutting eligibility. Nonetheless, the curtailment was limited to the period 1980-82 and then there was a hiatus. During this period a series of

work experiments were undertaken by the states and evaluated by the Manpower Demonstration Research Corporation. The outcome was the Family Support Act of 1988, briefly described earlier.

President Clinton was elected following a campaign which among other things promised to 'end welfare as we know it'. He talked about setting a two-year limit on the receipt of social assistance. In general the administration's proposed *reform* attempted to ensure that every possible recipient would be put into a training or educational programme, with the exception only of those with a child under one year of age. Since programme costs would be high (education, training, private job subsidies, last-resort public jobs) the first phase was to concentrate on those parents born since 1971.

The states were to be encouraged to spend more money on training and job search and would be provided with more money for these purposes. People would then be expected to obtain jobs in the private sector, if after two years of public assistance they did not have private sector jobs, there would be public jobs provided, because people would be expected to work. These jobs would be at the minimum wage and there are numerous problems about how they can be provided without creating difficulties with public employees in the civil service and in publicly contracted work. The main question now debated concerns what should occur after two years. At the conservative end there are people who would simply 'dump' welfare recipients at that point. The Clinton administration has rejected such a position, but it is unclear how they are going to cope with the political problem which they will be facing. A much larger question is how to pay for public employment and for the various training activities. More rigorous assessments of what is involved have been making it increasingly clear that replacing welfare with work is a very expensive proposition.

Because of budgetary constraints, efforts are being made to rind the money within other social programmes, relating to disabled people, immigrants, or various other categories. But each such proposal which is floated is 'shot down' rather rapidly. Some of the cost problems will be solved by a slower phase-in, beginning with the newest and youngest recipients. In short, it is not clear that there can be a 'clean' reform of the sort envisaged, once the problems of financing and implementation are truly faced. No Congressional action is expected before 1995 at the earliest. With the Republicans now having control of both Congress and the House of Representatives, further more radical proposals for the curtailment of welfare are coming forward.

25.9 Overall performance

The major strengths of social assistance in the USA are:

- ® The rules of eligibility and entitlement for all the major benefits are clearly encoded within legislation and guidance. These include relatively generous treatment of recent migrants and non-citizens, and for SSI in particular, an explicit appeals procedure.
- As a result of recent reforms there are in-built work incentives in every major programme. These include tapers for earned income, continuation of Medicaid benefits at the start of work, job training and some child-care provision. The effectiveness of many of these measures is questionable, but there is a clear intent to avoid the situation where some programmes are identified as reserved for the economically inactive.
- ® There is an excellent knowledge base (institutionalised in the annual Green Book) which provides the basis for informed debate on social assistance policy, and an extensive constituency of think tanks, NGOs and social movements participating in the debate.

The major limitations are:

- e *The low levels of benefits.* Even measured against the official poverty line (which analysis has suggested is too low) most benefits almost everywhere leave families below it. For eligible individuals receiving both SSI and FS, the maximum benefit receivable in 1993 was equivalent to 86 per cent of the poverty line for a single person. For an eligible couple it just exceeded the poverty line. The maximum potential benefit for AFDC recipients is less, even when FS are included. For a one-parent family of three persons in 1993, combined AFDC and FS in the median state was equivalent to 70 per cent of the poverty line.
- e *The absence of national benefit rates in AFDC.* In contrast to SSI, FS and EITC, AFDC rates vary considerably across states. Taking the above case of a single parent three-person family in 1993, combined benefits as a proportion of the poverty line were:

| | |
|-----------------------|---|
| New York (NY City) | 87 per cent |
| Pennsylvania | 73 per cent |
| Florida | 64 per cent |
| Texas | 51 per cent |
| The lowest proportion | 44 per cent - was found in Mississippi. |

- e *The effectiveness of means-tested benefits in raising families above the poverty line.* In 1991 all assistance benefits removed an estimated 12.8 per cent of poor individuals from poverty, compared to 30 per cent removed by social insurance. However, the effectiveness of social assistance in this respect has increased somewhat in recent years (Karnerman and Kahn, 1994).
- e *Stigma.* As argued above, there is considerable stigma attached to the receipt of assistance benefits, especially AFDC and GA. This reflects an historically embedded, and culturally- and linguistically-reinforced, distinction between 'social security' (good) and 'welfare' (bad).
- e *Fragmentation.* There is considerable fragmentation between the various assistance programmes. For example, as regards their administration, the benefit unit and the nature of the means tests. This results in a lack of co-ordination and difficulties in applying for benefits on the ground.
- e *Children.* The mounting concern with work incentives has led to some lack of concern about children's need for parenting. In some states, lone mothers of children aged one and over must undertake *work* or training programmes in order to receive benefit.
- e *Medicaid.* The absence of a universal national health programme has required the setting up of the developed world's only major means-tested health scheme, with numerous consequences for incentives, equity and the interaction between it and other assistance programmes.
- e As a result of these factors among others, the USA exhibits a high rate of poverty compared with other OECD countries on a standardised basis, despite a targeted approach which prioritises poverty reduction as its prime goal.

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