

# A Comparative Study of Social Assistance

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*Social-assistance schemes – whereby governments provide income-support through cash or benefits to less-well-off individuals or families – are difficult to compare on an international basis: definitions vary, and responsibility for policy, financing and delivery can belong to either national, regional or local authorities. Indeed, in some countries there is an important role for non-governmental organisations, too. A complicating factor in the analysis (and administration) of social assistance is the treatment of housing costs: in some countries they are included within general social assistance and in others there is a separate, and general, scheme of housing benefits. Until recently, this complexity had dissuaded analysts from preparing a systematic profile of social-assistance programmes in the OECD countries. This gap has now been rectified by a major comparative study.<sup>1</sup>*

There is no single or universally accepted definition of social assistance. A first step in pursuit of such a goal is to distinguish the three basic methods by which the state can allocate resources to individuals or households. These are, first, by giving 'universal' or contingency benefits, not related either to income or to employment status but allocated to citizens falling within a specified social category, such as child benefit and family allowances paid to mothers. Second, there are social-insurance bene-

fits which are related to employment status and to a record of contributions. Third, there are means-tested or income-related benefits, where eligibility is dependent on an assessment of current or recent income and/or assets. And within this category there are three kinds of assistance benefit: those which are 'poverty-tested' as opposed to general means- or income-tested benefits (which may include recipients who have income above the poverty line); benefits in cash and 'tied' benefits such as assistance with housing costs; benefits which are available to all claimants within a specified income-band and those which are aimed at particular groups, such as older or disabled people.

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In 1992, the proportion of spending on social assistance in the OECD countries,<sup>2</sup> expressed as a proportion of GDP, ranged from 0.1% in Greece (which has no general assistance scheme) to 13% in New Zealand, where almost all benefits are based on the recipient's resources. Assistance for specific groups of claimants makes up a larger part of spending than general programmes in most member states of the European Union, while tied assistance (particularly for housing) is especially important in France, Sweden and the United Kingdom. All OECD countries (with the exceptions of Japan and Switzerland) increased the proportion of total expenditure on social security committed to social assistance between 1980 and 1991. The Nordic countries recorded the fastest rates of growth of spending on social assistance programmes, although they began from a low base in 1980.

## Who Benefits?

The English-speaking countries tend to operate the most extensive social-assistance programmes. In 1992, the United Kingdom provided Income Support, its general unified social-assistance programme, to 15% of the population. When schemes directed at particular groups are included, Australia and New Zealand predominate and Ireland also joins the high-coverage group. Those with the lowest numbers of claimants include Greece, Japan, Portugal, Spain and Switzerland. In most countries, but especially Canada, Germany, Ireland, the Nordic countries and the United Kingdom, there was a substantial expansion in the number of recipients of social assistance between 1980 and 1992.

Dis-aggregating the data into specific claimant groups is not easy but the indications are that old age is becoming less important as a trigger for claiming assistance, and disability, un-



Old age now seems less important a trigger for claiming social assistance as disability, unemployment and lone-parenthood are rising.

employment and lone parenthood have become more so. In most countries, between a half and two-thirds of claimants are single and only one-third (on average) have children.

All social-assistance schemes operate with the same underlying rationale: that eligibility for benefit should be established on the basis of an assessment of means, taking into account established conventions of family obligation and reciprocity. Attempts (as in Austria and Germany, for example) to shift responsibility for support onto the extended family have been mostly unsuccessful: there have so far been few attempts to individualise benefits (that is, split them between partners).

## Who Pays?

A primary difference is between countries which are organised on a centralised, integrated and national basis (Australia and the United Kingdom) and where there are common conditions of eligibility and payment, and those countries

(such as Italy, Norway and Switzerland) which have structures that allow for the devolution of responsibility for combinations of policy and administration to local governments. One pressure frequently observed is experienced in areas where demand for social assistance is high but where capacity to fund schemes is limited (as in the northern, industrial, *départements* in France). Although policy objectives and delivery structures are diverse, there is a common concern to streamline administration, not least by increasing the role of computers in assessment, payment and the detection and prevention of fraud.

NGOs play an uneven role in the administration of social assistance. In some countries, such as the United Kingdom, they are often described as a 'poverty lobby' seeking to campaign and influence policy. In others, such as Switzerland, they take the form of a 'shadow' social-assistance structure, offering an alternative to the stigmatised formal arrangements. In others yet, and there are examples in Canada and New Zealand, NGOs are organised to provide supplementary assistance in the form of food banks. In many countries, charities have a special role in respond-

ing to urgent and exceptional demands for food, shelter or clothing.

## How Much?

One of the main aims of the study was to collect comparable evidence about the value of benefits. There is immense variety in the values of such payments: after housing costs, and for a couple aged 35 years with two children (aged seven and 14),<sup>3</sup> they ranged from \$33 per month in purchasing power parities in Portugal to \$1,024 per month in Iceland. For a retired couple, the value of the social-assistance package (after housing costs) ranged from \$36 per month in Portugal to \$868 in Denmark. For a lone parent with one child (aged seven), the range was from \$57 in Portugal to \$815 in Switzerland.

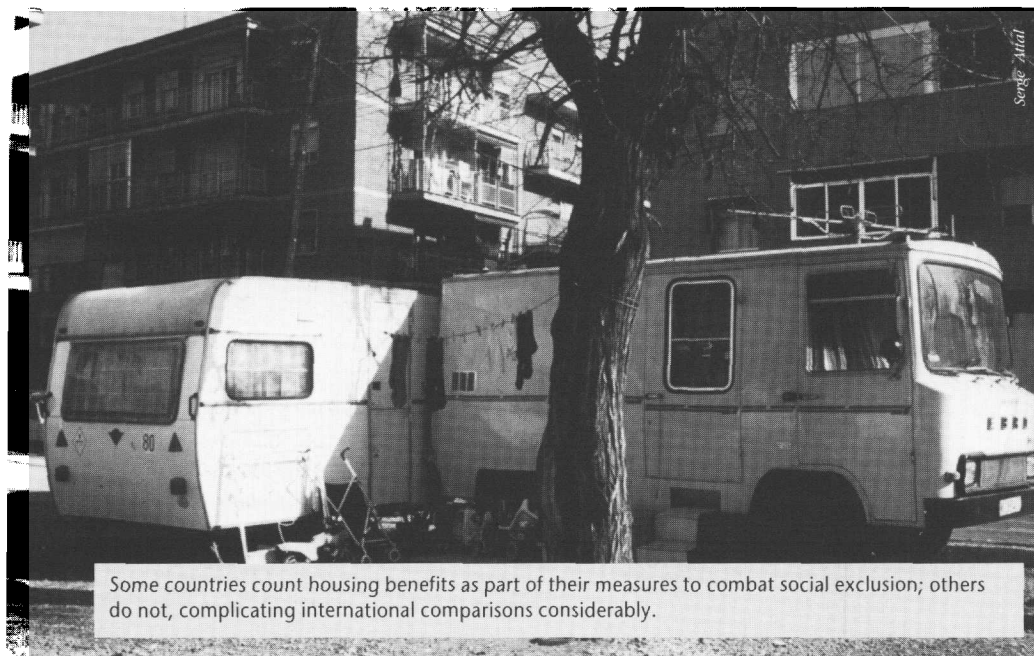
Family type substantially influences a country's relative position in a ranking. For example, most countries provided relatively larger assistance to people over retirement age, particularly in Canada, France, Greece and the United States (New York State). Only a few appeared to pay higher benefits to working-age single people and couples than to pensioners. A composite ranking, based on percentages from the mean for nine family types, puts Iceland at the top (after housing costs), heading a group which includes Switzerland, the Nordic countries, Luxembourg, the Netherlands and Australia, all with values more than 20% above the mean. The next group of countries has values clustered around the mean; this group, led by the United Kingdom,

1. T. Eardley, J. Bradshaw, J. Ditch, I. Gough, and P. Whiteford, *Social Assistance Schemes in the OECD Countries, DSS Research Report* (2 vols.), HMSO, London, 1996, with assistance from the OECD.

2. Excluding Mexico, which became a member only in 1994.

3. To analyse structures and values, implied equivalence scales, replacement rates and incentive effects, a 'model families methodology' was used. All data related to May 1992 and three 'income packages' (social assistance, social insurance and wages equal to average male production earnings) were prepared for nine different family-types. All income and expenditure data were converted using purchasing power parities. Common assumptions were specified with respect to housing costs, local taxes, health costs and education and child care costs.

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Some countries count housing benefits as part of their measures to combat social exclusion; others do not, complicating international comparisons considerably.

includes the United States, Japan, France, Canada and Germany. The third, and final group, with social-assistance benefits more than 10% below the mean, included Belgium, New Zealand and the southern European countries. When the extent of social assistance is compared with average gross wages (before housing costs), the relative positions of France, Finland and Sweden improve – these are countries where average gross earnings are relatively low because high social-insurance contributions from employers effectively constitute a deferred wage.

The countries with the highest payments, such as Switzerland (the Canton of Fribourg in particular), Luxembourg, the Netherlands, the Nordic countries and Australia share certain characteristics: relatively high volumes of GDP, low rates of unemployment, and social-assistance schemes which are both residual and locally administered. Moreover, they also have strict means-tests, and in the Nordic countries the amount of capital and earnings that can be disregarded is limited and there a firm emphasis that claimants should return to the labour market.

Two sets of interrelated factors are driving change in social assistance. There are social and economic forces such as demographic changes, labour-market adjustments and rising costs of, say, housing and fuel. There are also changes in social-protection policies themselves, which affect the scope and value of social assistance.

These include the contraction – and for some categories of claimant, the breakdown – of traditional social-insurance coverage; almost universal pressure on public expenditure; and tension between central, regional and local governments over the costs of benefits and their administration.

Some policy trends emerge in response to these challenges, often in combinations of 'carrots' and 'sticks'. The carrots include reducing the withdrawal rate of benefits as earnings rise, providing education, training and work-experience programmes for claimants who are out of a job, and extending child-care and other benefits to claimants with responsibilities for caring for children so that these might be combined with paid work. 'Sticks' include increased monitoring of people judged to be capable of work, tougher tests of job-search activity, time-limited benefits and reductions in benefits.

There are four types of policy response. In Austria, Japan, Switzerland and the Nordic countries, where there has been a record of full (or near-full) employment, the specification of work incentives has been a relatively minor feature of the debate to date (although this is changing in Denmark<sup>1</sup> and Sweden). Second, in the southern European countries (including Turkey), where social-assistance programmes are limited, the impact either of debate or of policy change on

<sup>1</sup> See pp. 35–36.

the behaviour of the unemployed and the dynamics of the labour market is marginal. Third, in the remaining countries of the European Union (except Ireland and the United Kingdom), there has been a growing concern with 'new poverty' and social exclusion, encouraging policy initiatives which promote 'integration'. These schemes have targeted young unemployed people and tied improved benefits to insertion in training and work-experience schemes.

Finally, in the English-speaking world where there is a tradition of extensive social assistance, the debate has focused on links to labour-market activity and a range of responses has been adopted. In Australia, there has been a partial individualisation of income-support for couples; the Earned Income Tax Credit has been extended in the United States; and the United Kingdom has introduced extra disregards of earnings to help meet the costs of child-care within Family Credit, back-to-work incentives, and a reduction in the insurance element of unemployment payments (as part of the new Jobseeker's Allowance). All these countries have increased their requirements that claimants demonstrate they are actively looking for a job.

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For the first time, a comprehensive picture is available of social-assistance arrangements in OECD countries. Clearly some schemes are more extensive than others; some are more generous than others. But it is not possible to claim that one country's scheme is 'better' than another's. To a very large extent, an evaluation of social assistance must be sensitive to the different traditions of governance, family obligation and wider labour-market and social-protection policies in each country. ■

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