

# AN INTEGRATED SYSTEM FOR THE COORDINATED MANAGEMENT OF THE SOCIAL ASSISTANCE SYSTEM

VOLUME ON 2017 RESEARCH

TOPIC 2.1.4



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**AN INTEGRATED SYSTEM FOR THE COORDINATED MANAGEMENT  
OF THE SOCIAL ASSISTANCE SYSTEM**

**VOLUME ON 2017 RESEARCH**

**TOPIC 2.1.4**

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## The Implementation Plan for the Coordination of Social Assistance Resources

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## **I. Research Background**

The social assistance system, together with social insurance and social welfare, is a crucial part of the national social security system. As China's economic and social development has been advancing into a new historical phase, the issue of income distribution has created increasing concerns among the public, together with more calls for reforms of the social security system.

On November 12, 2013, at the third Plenary Session of the 18th CPC Central Committee the following proposal was introduced: “the general objective of deepening the all-round reforms is to improve and develop the socialist system with Chinese characteristics, and to promote the modernization of the national governance systems and governance capacity.” Thus, we must take into consideration both the design and the management of the social assistance system and strive to make them compatible with each other.

The successful implementation of the EU-China - SPRP can enhance China's capacity in reforming the social assistance system, to develop a better and more relevant framework of laws and regulations, to coordinate the use of funding, to integrate the management of relevant departments as well as key information, and eventually improve the allocation of social assistance resources in China.

According to the requirements of the third, fourth, and fifth plenary sessions of the 18th CPC Central Committee, a better coordination of the social assistance system is necessary not only to achieve a healthy and sustainable development of the system itself, but also and more importantly to guarantee the basic living standard of all citizens and to improve the performance of financial expenditure. In order to achieve this aim, it is necessary to analyse, evaluate, and improve the design and implementation of the system, to optimize its top-level design, to clarify the functions of every social assistance policy, to perfect the framework, the specific arrangements and the operation schemes for the institutional integration and coordination, and eventually to contribute to the healthy and sustainable development of the social assistance system.

This project adheres to the principles of being “**theoretically forward-looking, reality-oriented, history-witnessing, and of finding opportunities, achieving consensus, forming policies, promoting reforms**”; it focuses on the institutional coordination of social assistance in order to provide support to the Chinese government in making decisions about the system and policies related to the construction of a coordinated social assistance system, and to design the implementation plans on the basis of thorough research and analysis.

## **II. The current situation of the institutional coordination of China's social assistance system and problems it confronts**

Even in a perfect market economy, income distribution remains a paramount social problem. With the advent of the 20<sup>th</sup> century, science and technology kept making progress, tearing down the traditional economic structure, while the innovations and inventions in techniques and organizational structures gave a boost to production efficiency; however, at the same time, serious income distribution problems appeared. The continuous organizational and technological innovations promised the capital owners increasing profits, so much so that the gap between capital owners and laborers continued expanding, a process that is still under way.

In *Theory of Justice*, John Rawls recognizes that it is simply not possible for all the members of a society to enjoy absolute equality in terms of social and economic benefits. However, to achieve social justice two conditions must be satisfied: (1) The economic inequality must conform to the interests of everybody, especially the ones with the least benefits (the maximin principle); (2) Public offices and opportunities should be equally open to all (the equal opportunity principle). Therefore, governments must intervene on income distribution to solve the problem of economic inequality caused by natural endowments and specific social conditions. This has become an important theoretical basis for large-scale interventions in the field of income distribution (including social assistance) by advanced and developed nations.

### **i. Institutional framework of Chinese social assistance system and its evolution**

The Chinese social assistance system has evolved in accordance with the establishment and improvement of the socialist market economy. In the past twenty years, social assistance has played an increasingly important role inside China's social security system. It is a "safety net" for social equity, and also acts as a "shock absorber" of market system reforms.

**The first stage: the dispersed social assistance system.** With the continuous improvement of the socialist market economy, this phase witnessed the establishment of a social assistance system which was open to the general public; a major achievement was the establishment of a *primary social assistance system*.

As early as February 1993, the *Implementation Plan for the Reforms of the Old-age Insurance System for Urban Workers in Shanghai* was promulgated, and Shanghai took the initiatives in

establishing the Minimum Living Standard Guarantee System. In 1996, the Ministry of Civil Affairs started to promote the experience of Shanghai and some other cities to all Chinese cities.

In September 1997, the State Council promulgated the *Notice on the Establishment of City Residents' Minimum Living Standard Guarantee System in the Whole Country*, marking establishment of the national-wide system. This notice indicated that the dibao system was an institutional policy aimed to guarantee the subsistence of low-income urban groups and stated that by the end of 1999 the minimum living standard was to be established in every city and county

In September 1999, the State Council issued the *Regulations on the Minimum Living Standard of Urban Residents*. Actually, during the 1990s, the Chinese government had already began a series of programs like the low-rent housing program, the medical assistance program, the education assistance program, the rural minimum living standard guarantee system, the employment assistance program, etc.

Since the beginning of this century, the coverage of the dibao system and therefore the connected expenditure have been rapidly growing. The dibao expenditure for urban residents' soared from 2,700 million yuan in 2000 to 72,200 million yuan in 2014; in rural areas, the amount zoomed from 36,300 million yuan in 2009 to 87,000 million yuan in 2014, so that in 2014, the dibao expenditure in urban and rural areas accounted for 0.25% of China's gross domestic product (GDP), and to more than 1% of total government expenditure.

At the same time, the urban population that received the dibao climbed from 4,030,000 in 2000 to 11, 710,000 in 2001, reaching the historical peak of 23,460,000 in 2009; then it fell to 18,770,000 in 2014, while the rural dibao population surged from 3,050,000 in 2001 to 52,070,000 in 2014.

China has therefore witnessed the establishment of a reliable and systematic protection system for the vulnerable groups and just as Zheng Gongcheng, a renowned theorist in the field of social security study, puts it: "the social assistance system has progressively changed from being exclusively dependent on the civil affairs departments into a system open to various sources of social assistance, from the government's bestow into the lawful rights of citizens, from monomial assistance to comprehensive assistance, from urban-rural segmentation into urban-rural integration<sup>1</sup>.

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<sup>1</sup> Resource: Zheng Gongcheng, "Reasonable Targeting and Reform Orientation of Chinese Social Assistance System", Journal of China National School of Administration, 2015 (4).

In spite of the fact that the social assistance system has achieved great results, it has remained very scattered and characterized by parallel not integrated programs. Such situation is primarily the result of the process of economic development. After the Reform and the opening-up phase, a large amount of surplus labor moved from rural areas to cities. In the early stage of industrialization, it took time for workers to move from the public to the private sector, and the imbalance between labor supply and demand resulted in very low wages. With the edge of cheap labor, it was possible for the coastal areas to lay the foundation for a export-oriented industrial structure. However, the income gap between different social groups became increasingly larger, but it was felt that as long as we could bake a bigger cake, income distribution in itself was not a big problem and could be easily solved by a sound institutional environment.

**The second stage: the coordinated social assistance system.** Once the preliminary framework of the system was set up, the following step was to improve the operational efficiency, and take full advantage of it. The coordination of the social assistance system is one of the important aspects in this process.

In February 2014, the State Council promulgated the *Interim Measures of Social Assistance (Decree No. 649 of the State Council)*, which stipulated the construction of a coordinated social assistance system, consisting mainly of the Minimum living standard guarantee, the Living support for the destitute, the Relief for the victims of disaster, the Medical assistance, The education assistance, the Housing assistance, the Employment assistance and the Temporary assistance.

This system that strengthens the participation of social forces and adheres to the principles: **to guarantee subsistence, to assist those in emergency and difficulty, and to value sustainability**, has succeeded in laying an institutional foundation to guarantee basic living conditions for all citizens, to promote social justice, and to maintain social harmony and stability. The successful establishment of a social assistance system has huge significance, for it puts an end to the binary pattern of China's social assistance system and represents the foundation for its integration. However, it is not an easy task to complete overnight, but a challenging job demanding gradual reforms.

Apparently, the segmentation of the social assistance system between different department stands in the way of their coordination. Correspondingly, the fact that the resources are scattered among different departments frustrates the sustainable development of the social assistance system and has severe impact on income distribution and social equity. As the economy grows into a new

and more complicated model, social assistance policies must conform to the new trends and new characteristics of income distribution, and we need to probe into the space where the policies can be applicable and figure out the focal points that would allow to enhance the effectiveness of these policies.

In November 2015, the General Secretary Xi Jinping put forward the idea “to expand the overall demand moderately, meanwhile, to make efforts to strengthen the structural reforms of the supply side, to emphasize the improvement of the quality and efficiency of the supply system, and to boost the momentum for continuous economic growth”. This is the first time that the new concept of “supply side management” was mentioned. The supply side structural reform not only includes the transformation and upgrading of economic structure, but also refers to the re-positioning of our government allowing it to play an active role in enhancing economic growth, with the aim of stimulating the vitality of the market and clarifying the relationship between the market and the government.

At the same time, social assistance makes it possible for the market to play a decisive role in the allocation of resources. The local governments should therefore turn their focus from the investment process to the investment returns, dedicate themselves in providing equalized public services, reduce their intervention on the allocation of resources in favor of the market, boost the vitality of the local market, and work for the well-being and humanistic concerns of the local residents so that they can live and work in peace and contentment.

## **ii. The current situation of China’s social assistance coordination and the problems it faces**

The present situation of the social assistance system still presents some very prominent problems, which have adversely affected and restricted the healthy and sustainable development of the system itself and the efficiency of the use of fiscal funds. It’s an urgent task to tackle the crux of the problem and break through the institutional and policy constraints that social assistance programs are confronted with so as to improve the efficiency in the use of social funds.

**I Functional segmentation among the various sectors of the social assistance system and the subsequent dispersion of assistance funds<sup>2</sup>** - When the economy entered in the so called

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<sup>2</sup> Many scholars have labeled this problem as “fragmentation”. In fact, fragmentation is not sufficient to describe the nature of the functional segmentation among social assistance departments and the dispersion of relief resources. The premise of fragmentation is an overall pattern, just that the various departments are not effectively linked with each other, nor do the funds resources. Nevertheless, the concept we want to express is more of the combined characteristics of “isolation”, “relief inadequacy” and “repeated relief”.

Normal stage, the growth of fiscal revenues began slowing down. This implies the need to improve the efficiency of the financial expenditure and to promote the notion that the government budget should serve the interest of the general public. However, the current functional segmentation of the social assistance system impacts the efficiency of fund use, i.e., (1) The social assistance system needs further coordination and integration with social insurance and social welfare system, which essentially reflects the relationship between the government and the market; (2) Different types of projects are in the charge of different departments who are responsible for the concrete implementation of relief policies. As a result, it's highly challenging to achieve overall coordination between institution design, aid planning, and implementation, which is the fundamental cause of the social relief resources dispersion. In the "8 + 1" social assistance system, the civil affairs departments take responsibility for financial support and five other functions, i.e. the minimum living standard guarantee, support for destitute persons, assistance for disaster victims, medical assistance and temporary assistance. The departments of health and family planning take responsibility for disease emergency assistance and the funding. The educational departments provide education assistance and financial support. The employment assistance and its financial support are in the charge of the departments of human resources and social security. The housing and urban-rural construction departments answer for the housing assistance and its financial supports. Besides, some localities provide assistance funds for the old-aged, the disabled, and children, and activities during the festival seasons or for specified purpose like heating and others, and the managerial function are divided among several departments.

**Second, it's an urgent task to coordinate the objectives of social assistance and poverty alleviation program.** Poverty alleviation is an institutional arrangement targeting specific groups in poverty, aiming at improving the productivity and living conditions of the poor people, and achieving stable income growth. Although social relief and poverty alleviation are different from each other in their relief targets, operation mechanism, and policy attributes (Table 1), to a certain extent, the major obstacle lies in the lack of coordination and convergence between the two in actual operation.

**Table 1 Comparison between Social Assistance and Poverty Alleviation**

Programs		Social Assistance	Poverty Alleviation
Policy	Targeted groups	Needy households in urban and rural areas	Poverty-stricken counties and poor households in the rural

Targets			areas
	Poverty line	Determined by local authorities	Determined by the central government
Operation Mechanism	Measures	Mainly by cash payment	Multiple resources
	Implementation forms	Not in form of projects	In form of projects
	Leading departments	The Department of Civil Affairs	The poverty alleviation offices
	Policy transmission	Territorial transmission	Longitudinal transmission
Policy Attributes	Policy objectives	To support basic living	To enhance local economic development + to increase the income of the rural population
	Policy elasticity	Stability	Flexibility
	Application sphere	Social policies	Economic politics + Social policies

Source: Liu Baochen, Han Keqing, *The division and integration of anti-poverty policy in China: Reflections on social assistance and poverty alleviation*, *Guangdong Social Science*, 2016(6).

In China's rural areas, the destitute people for dibao and poverty alleviation programs are not the same and the civil affairs departments and poverty alleviation departments have to target and identify them separately.

Poverty alleviation and development projects, focus on helping people with ability to work and willingness to work in conformity to a unified national standard and take a top-down approach to identify the relief targets.

Dibao serves the purpose of guaranteeing subsistence regardless of whether the targets have working ability or not. Local authorities throughout the country can determine their own minimum standards, and verify the eligibility in accordance with the principles of local affairs management.

When it comes to the problem of determining the poverty line and dibao benefit standards, two different departments are in charge of the process and two different measures are used. Therefore, it is a pressing task to realize a dynamic coordination and adjustment between basic living standards and poverty alleviation standards. Secondly, there is lack of efficient functional cooperation between the two programs. The primary objective of the poverty alleviation projects is to foster the ability of self-development of the poor people (“hematopoiesis”), while the purpose of the social relief project is to guarantee the basic living of the vulnerable groups (“blood transfusion”); consequently, there is an obvious difference in their coverage, i.e. the former program mainly targets poor with ability to work, while the latter answers to the needs of those who have lost all or part of their working ability due to old-age, illness, disability or some other reasons. In reality, a number of dibao beneficiaries are physically fit for work and some participants to the poverty alleviation project may have been deprived of their working ability, and such situation has already hindered the convergence of the two programs.

By the end of 2015, poverty alleviation departments succeeded in filing up as many as 56,230,000 poor people, and the civil affairs departments reported that, according to statistics, there were approximately 49 million rural residents who claimed dibao benefits. Among them, the number of rural dibao beneficiaries that had been filed up accounted for only 32% of the total number of participants on record, and merely took up for 36% of the rural dibao population in total. Despite their ability or willingness to work, many dibao beneficiaries in rural areas still cannot rely on the poverty alleviation policies to shake off poverty.

In short, it’s desirable to strengthen the convergence and coordination between the current social assistance system and the poverty alleviation system. In terms of policy orientation, we ought to regard promoting the economic development of the poor areas, taking the social assistance as the bottom line to fight poverty, and to free the poor from their financial worries and guaranteeing the basic survival of the poor as the foundation for social assistance.

**Thirdly, welfare bundling has emerged as a prominent problem, resulting in insufficient social assistance for some groups and surplus assistance for others who the become increasingly dependent on dibao.** In effect, many social assistance programs are bundled with the

minimum living standard guarantee, i.e. people eligible for dibao benefits are immediately entitled to some specific relief programs, such as medical assistance, education assistance, housing assistance, employment assistance and so on. Moreover, some preferential public services are attached to the “dibao certificate. This has severely upset the equality of the social security system and contributed to “cliff effect”. As a result, some vulnerable groups cannot get sufficient relief, while some other groups tend to enjoy favorable welfare benefits, and this can lead to “welfare dependency”.

In Shandong Province, for example, no fewer than 15 social assistance and welfare policies are bundled up with dibao eligibility.

An 80-year-old rural resident in Longkou City can get more than 20,000 yuan of relief fund in one year, including 3,015 yuan of subsistence allowance, 6,000 yuan of medical aid, 11,900 yuan of subsidy for renovation of the dilapidated house, etc. It can also get 1,200 yuan of old-age allowance, 400 yuan of living subsidy for the elderly, 500 yuan of old-age service subsidy, 720 yuan of disabled elderly person care subsidy, 80 yuan of insurance subsidy, 66 yuan of electricity subsidy and 80 yuan of medicine subsidy. IN conclusion, he can get more than 23,900 yuan, an amount much more larger than the local dibao standard of 3,015 yuan.

In Xuzhou City, Jiangsu Province, there are as many as 27 preferential relief policies bundled to the dibao certificate, covering almost every public service and public utility. In the Inner Mongolia Autonomous Region, children from dibao households get a lump sum financial support if they are admitted into college, of 40,000 yuan for university and college, and of 30,000 yuan for junior college.

All these policies have actually increased the importance of dibao certificate. The following table lists the detailed information about the additional benefits that dibao beneficiaries are entitled to.

**Table 2 Benefits attached to dibao welfare in Gansu Province**

<b>Items</b>	<b>Details</b>
<b>Education assistance</b>	Assistance varies in accordance with the stages of education: subsidies provided for preschool education; charging no sundry fees, but providing living subsidies and free supplies of textbooks, free accommodation in rural areas during compulsory education period; allowances offered to the senior high school students; no tuition fee for secondary vocational education; tuition waiver, national allowances, temporary assistances for special difficulties, education loans and part-time job offers and other assistances in tertiary education.
Medical assistance	Subsidies are provided to compensate the self-funded part of new rural cooperative medical system; After receiving the payments from the basic medical insurance, serious illness insurance and other supplementary medical insurance, if the individuals and households still cannot afford the hospitalization cost, then they can get subsidies to cover certain proportion of the eligible medical cost; subsidies are granted to the individual and the families who are eligible but have not participated in the basic medical insurance system due to particular reasons and cannot afford the medical costs; subsidies are offered to the outpatient clinical costs due to major illnesses and chronic diseases that are still unaffordable even with reimbursement from the basic medical insurance.
Housing assistance	Assistance is given for reasons like the indemnificatory housing allocation, ex situ settlement for the poor, rural dilapidated building reconstruction, resettlement, and ecological construction, and providing house-building skills, etc.
Children employment subsidies	Provincial financial subsidies of 1,500 yuan per person per month for serving in local enterprises.
Electricity subsidies	10 kwh electricity fee waiver per household per month

Digital cable TV fee	10 yuan waiver per set (card) per month
Funeral subsidies	Basic funeral service: free of charge

**Fourthly, the fact that relief resources are dispersed among the departments as a result of functional segmentation severely hinders the formation of a joint impact of all the funds. In some areas, the high assistance standards tend to discourage working motivations.** Without efficient communication and convergence, it's hard for the different departments to share information when making decisions on relief policies. Without a coordinated mechanism for decision-making and supervision, problems arise, such as, multi-channel assistance, repeated assistance and missing aid, etc. In particular, multi-channel assistance reduces the efficiency of financial funds and the effectiveness of assistance policy, resulting in a tremendous waste of public resources. In addition to the national relief policies, local governments at every level may offer specific relief benefits to certain groups of vulnerable population, such as dibao claimants, disabled, students, elderly people, and so on. The local assistance policies may vary from place to place, depending on the economic development of the area and the financial capacity of the local government. But one common problem exists in every case, i.e. the dispersion of resources among different departments.

People in some localities complain that the minimum living standard guarantee is “encouraging people to be lazy” or is “creating welfare dependency” or “a welfare trap”. In Xuzhou City, for example, the urban subsistence allowance standard is 558 yuan. A three-member family without any income can receive subsistence allowance of 1,674 yuan per month (without taking into consideration the medical, housing, education assistance and other benefits) which is almost the monthly salary of an ordinary worker. Such situation may discourage some dibao beneficiaries from seeking employment on their own, and drive them to lean on the dibao program. Apparently, it's of vital importance to formulate a nationwide relief standard based on average living expenses of the citizens, which is applicable to different localities.

**Lastly, the management of the social assistance coordination should be more dynamic.** The primary objective of social relief coordination is to guarantee a basic living standard. In order to do so it's necessary for the managerial departments to follow the evolution of the economic

condition of the beneficiaries. From a practical point of view, this is a prominent problem. In recent years, we know that a significant proportion of the dibao beneficiaries are physically suitable to work (approximately 60%<sup>3</sup>). Mass media report time and again that only few people have voluntarily exited from the dibao program even when they had a well paid job. This has aroused wide concern over equality in social assistance projects. When it comes to relief policies, the government prefers “addition” rather than “subtraction”, i.e. they constantly offer more benefits, making new policies as “patches” to complement the old ones. In the assistance system, the existing policies cannot be abolished, the preferential treatments cannot be canceled, and the relief standards cannot be lowered. The basic requirements of the dynamic management are: (1) from the cross-sectoral perspective, it’s advisable to take into consideration the resources of every department and make comprehensive evaluation of the income status of the recipients, and accordingly decide whether they are eligible; (2) from the longitudinal perspective, it’s necessary to keep an eye on the income growth of the beneficiary groups, and implement dynamic management.

In summary, the premise for everything is to keep the overall benefit level under control. To satisfy the specific needs of different vulnerable groups and to counter the negative incentive effect created by overlapped aids’ it is necessary to conduct a comprehensive analysis of the current situation, to study the policy framework of optimization plans, to straighten out the management mechanism, to achieve integration, and eventually to form a joint task force to provide adequate and effective social assistance. At the same time, it’s advisable to watch out for welfare dependency.

### **III. Promoting the policy coordination in China’s social assistance system: working focus and challenges**

According to the principle of top-level design, the promotion of social assistance policy coordination is an important step in the construction of the social assistance system. The institutional convergence is a “projection” of the cross-sectoral coordination.

#### **i. Working focus of the policy coordination based on the practical experience in different localities**

In view of the specific local conditions, policy coordination of relief efforts consists mainly of the following arrangements:

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<sup>3</sup> According to the data estimates from China's Ministry of civil affairs in 2011, it equals to the result of the total number of beneficiaries excluding the elderly, the disabled and students divided by the total number of beneficiaries.

**While the administrative functions remain unaltered for the the single groups, it's necessary to probe into comprehensive assistance and improve the policy coordination.** The basic principle is to secure the continuity of specialized administrative funds for specific relief programs in every department, and then it's advisable to adopt a comprehensive relief input approach to further enhance the coordination of social assistance and decision-making transparency.

Qiaodong District of Xiangtai City, Hebei province, initiated a pilot program to carry out comprehensive relief and in the process worked out a detailed implementation plan, including various assistance projects, eligibility conditions, assistance methods, and so on. The primary goal was to introduce a comprehensive assistance policy which would incorporate the minimum living standard guarantee, the financial assistance to the individuals in extreme poverty, the relief provided for the victims of natural disasters, education assistance, housing assistance, job-seeking assistance, as well as temporary assistance. According to the new regulations:

1. Subsistence support of 800 and 500 yuan, respectively, is to be granted to the households with particular difficulties that cannot even afford the basic living and whose family members are incapable of working because of disease, disability, or other special reasons. Normally, the claimants are households in extreme poverty;
2. Relief is mainly targeted at the households extremely poor because of diseases; they are entitled to 70% reimbursement of the self-paid illness treatment expenses, for a maximum amount of 50,000 yuan, in addition to medical insurance and medical assistance;
3. As for temporary assistance, 3,000 or 5,000 yuan is given to students from extremely poor households when they are admitted into colleges; 5,000 to 30,000 yuan to the households that have to fall back on social support as a result of disastrous incidents; 2,000 to 10,000 yuan to the households that suffer severe property loss due to sudden disasters;
4. The government purchases the services, so the families with particular difficulties can afford home care and nursing service.

**Since it's wise to encourage a gradual process of integration between the dibao project and other social assistance policies.** Dibao beneficiaries who are qualified for multiple aids from different assistance categories should be forbidden to enjoy multiple assistance; i.e. those who have claimed social benefits should be excluded from other assistance arrangements. Benefit overlapping would decrease and this would help to prevent an unequal allocation of assistance resources.

Shandong Province has made clear that the existing social assistance policies and the ones to come in future, as well as the policies aimed to guarantee subsistence, should reduce the overlapping of benefit. To enhance the overall efficiency of social support, it's also recommended to diminish the policy fragmentation caused by presence of too many groups of benefit recipients "Sunshine Subsistence Allowance", a relief program initiated in Shandong Province in 2014, successfully sorted out and regulated the policies mentioned above. At the same time, the local government emphasized the overall integration of security standards, paying close attention to the convergence between urban dibao standards and the minimum wage of employees, between the dibao threshold in rural areas and the poverty line, making sure that the basic living standard did not pass the relief offered by other social security programs.

**Thirdly, it's important to optimize the functional division among various relief policies, and to foster specific relief scheme based on the need of each different group.** The Zhejiang Province worked on the integration of relief policies, the development of social assistance projects, and extended specific measures to the vulnerable groups with special difficulties, e.g. the marginal poor, who are not eligible for the minimum living standard guarantee. It's advisable to implement relief policies in a coordinated way, and to give specific forms of assistance to different vulnerable groups in correspondence to their specific difficulties. With such efforts, the less privileged population, can benefit, to a different extents, from various relief programs, such as housing, education, medical care, employment assistance and so on.

**Lastly, it's necessary to emphasize the convergence between the social assistance system and other policies (e.g. re-employment) and to encourage the beneficiaries to be self-dependent.** During the implementation of the dibao project, the Zhejiang Province took measures to reward the diligent and punish the lazy, and in some areas a definite time limit was introduced so that the dibao claimants who were capable of working could benefit from dibao only for a limited period of time.

## **ii. Challenges in policy coordination**

As to policy coordination, the following challenges have to be overcome:

**The division of information caused by the segmentation between different departments hinders the convergence of social relief policies.** The departments involved in social relief do not have sufficient communication with each other; as a result, "information silos" becomes a vital

problem. The departments related to social relief have no knowledge about each other work and this has severely hindered the process of policy coordination.

**The institutions responsible for social relief coordination are not efficient in fulfilling their duties, and we need to establish a mechanism for regular communication and information exchange.** The policy coordination of social assistance programs is also held back for lack of coordinated performance of the responsible agencies, policy makers, finance officers and working staff.

#### **IV. Promoting the financial coordination of the Chinese social assistance system: working focus and challenges**

Financial coordination is a crucial element to achieve a well-coordinated social assistance system. Lately, in every province, autonomous region and municipality, an innovative format of fund management, suitable to local conditions, has been created following the principle; “multiple channels to inject water, one reservoir to contain impound water, and one tap to release water”. This puts an end to some thorny problems, namely, the segmentation of fund management, the fossilization of its internal structure, and the poor consistency of fund use. It also helps to highlight the focal points in the fund coordination process and the challenges it has to face.

##### **i. Working focus of the relief fund coordination based on the practical experience in different localities**

In the process of fund coordination, we can gradually figure out the working focus. The exploration in relief fund coordination has made achievements. The local efforts have placed emphasis on budget expenditures, funds management, platform construction, capital revitalization and others. All these are fortresses that social assistance workers must conquer.

**To start with, it’s necessary to strengthen the integration of relief funds at the level of fiscal budget management, to consolidate the legitimacy of assistance fund management, and to optimize the budget structure of relief expenditure. This will enhance the overall coordination of budget management among relevant departments.** In terms of relief fund coordination, budget coordination is an essential strategy. Before issuing the budget, the departments should collaborate to coordinate their functions in relief arrangements. This practice would contribute to the promotion of the overall fund coordination. The formulation, delivery and implementation of budget expenditure should be coordinated and consistent among these

departments. Cross-sectoral function coordination is the precondition of budget coordination. Without overall functional coordination, the convergence of every individual relief project will end up in divergence when the local governments take direct charge of relief fund and specify their use.

In 2015, the Hubei Province made an attempt to integrate five special funds, namely, dibao, five guarantees, temporary assistance, medical assistance, and living support to orphans, into “the social assistance transfer payment fund”, and classified it as a general fund that the provincial government transfers to cities and counties. Local governments are allowed to make adjustments suitable to the local need in the phase of utilization.

The Anhui Province integrated in one social assistance fund of nearly 8,000 million yuan several relief projects, such as the minimum living standard guarantee, medical assistance, temporary assistance and so on, and issued a general transfer payment to cities and counties, that were then expected to listed their expenditures in detail along with the progress of relief work.

In 2015, the Hebei Province integrated four kinds of relief funds from the provincial civil affairs department, namely the minimum living standard guarantee, the five guarantees, the temporary assistance and living support to orphans, into one “subsidy fund for the needy population’s basic living and security”. In 2016, four other relief funds were integrated into this program, including the medical assistance, the living subsidies for the impoverished and disabled people, the special subsidies for the severely disabled, as well as the living support to vagrants and beggars. This integration has successfully combined eight funds into one.

**Secondly, it’s reasonable to build up a platform for the coordinated management and use of relief funds. The relief fund “reservoir” should be constructed in conformity with the direction in which the relief fund will be used, and it’s vital to genuinely improve the local government’s capacity to coordinate fund management and use.** The relief fund reservoir is an alternative to budget integration. In accordance with the objectives of the social assistance program, it’s necessary to set a definite standard for the basic relief, and once the total amount of relief resources that one assistance target gets from various departments reaches that standard, the support will be discontinued.

Since 2014, the Shandong Province has been working on the integration of social assistance funds in cities and rural areas that have similar assistance objectives. The year 2016 witnessed further developments in financial coordination, with the integration of six relief funds: the minimum living standard guarantee, the support to the people with special difficulties, the temporary

assistance, the health assistance, the living support to vagrants and beggars, and the subsidies for the low-income teaching staff, into one social assistance fund, to be allocated to the local relief projects in cities and counties as general transfer payments.

Social relief fund “reservoirs” with “many water inlets”, but only “one outlet”.have been constructed in many towns. In each town the local government takes charge of the coordinated use of the funds in accordance with the actual condition, and withdrawing funds according to the actual expenditures. For the time being, Shandong Province has achieved success in finding and improving effective ways of the coordinated use of social relief funds. The public welfare fund generated by the welfare lottery, and the social fund that comes from public donation, are incorporated in the general public budget, and the coordinated allocation and use of these resources make it possible to form pool efforts.

**Thirdly, close attention should be paid to the coordinated use of relief funds of the current and previous years to integrate the supplemental capital, and to revitalize the stock, so as to effectively improve the efficiency of financial funds use.** If budget coordination and funds coordination are horizontal, then the coordination of the relief fund of present year and of the previous years can be called vertical. As a matter of fact, the execution of annual relief budget is closely related to local economic development, which plays the role of “an automatic stabilizer”. Hence, it’s reasonable to set a mid-term working plan and coordinate the relief fund of previous years and this year based on the budget execution period of 3-5 years. Thus, the efficiency of fund use will be greatly promoted and will helps to prevent the occurrence of whipping the fast and hardworking, an the unfair punishment.

The Hubei Province incorporated the budget funds of the current year and carryovers of the years before with those of the cities and counties within Hubei Province, and integrated all into a social assistance fund to answer to five relief programs: the minimum living standard guarantee, five guarantees, temporary assistance, medical assistance, and basic living support to orphans.

The Hebei Province figured out the amount of supplemental funds that needs to be provided by provincial finance in four relief programs, namely, the minimum living standard guarantee, the five guarantees, the temporary assistance, and the basic living support to orphans. It allows certain degree of flexibility in the actual usage of relief fund instead of confining it strictly to the specific projects.

In Anhui Province, the principle to be complied in relief work is to help those in poverty and difficulty, to limit the benefit level if it's too high and lift it if it's too low. The Anhui Province also gives support to rural areas and areas with financial problems, thus further optimizing the budget management, and has an overall control on the carryovers of relief fund in all areas. As to the areas with large sums of carryovers, means testing is used to calculate the balance and determine the relief budget, then the relief is used to guarantee the basic living of the underprivileged, and the supplemental funds can be cut down according to the needs of the period.

**The coordinated use of relief funds represents more than the simple aggregation of single relief funds, and it is of great significance to clarify the functions of each social assistance program, and to formulate relief projects in accordance with factual demands, guarding against assistance repetitions and overlapping in the relief programs of similar nature.** The specificity of local conditions must be taken into consideration in determining the assistance standards and targeting the recipients. “One size fits all” must be avoided. Unified standards should be set in conformity with regional characteristics, and the specific assistance policies used to determine relief standards and benefit applicants. We should identify beneficiaries of special aids, and gradually un-bundle them from the dibao beneficiaries, so as to turn the “cliff effect” into a “progressive relief”. A set of specific reliefs is more appropriate to face the needs of different groups of beneficiaries and tackle the various types of difficulties they confront, so that different vulnerable groups will be entitled to different assistance in such areas as medicare, housing, employment and education. In addition, we should diversify the means of assistance, add new services, gradually replace cash payment with combined assistance of material supplies, life nursing, spiritual comfort, psychological counseling, capability upgrading, as well as social engagement.

## **ii. Challenges in the relief fund coordination**

When promoting fund coordination in social assistance programs, it's highly challenging to break through some bottlenecks and decide how to settle such problems as decentralized management, the departments' hesitation in curtailing fund allocation, as well as the difficulty of building up a comprehensive assistance platform.

**Management is in charge of several departments, and therefore of numerous categories of relief programs; therefore decentralization impacts on the coordination of resources.**

Assistance funds from the civil affairs departments come mainly from the public budget and welfare lottery, whereas the social assistance funds from the human resources and social security departments come from the public budget and the social security funds. The funds for medical assistance come primarily from the medical insurance funds of workers and urban residents. The social charity agencies and Red Cross collect public donations and form a relief fund, which is a non-tax revenue.

As indicated in the *New Budget Law*, these funds have different income sources and can be used for different expenditures; they are classified respectively as general public budget, budget for government-managed funds, and budget for social insurance funds, and to a certain degree they remain independent. Therefore, some policies are a barrier in the process of integrating these funds, and therefore they cannot be coordinated and properly managed. However, whatever is their source, once the basic aid standards are established and the assistance expenditure is inside the standard, the financial support from the budget should come to an end. Therefore, the central point with respect to cross-sector coordination and fund integration is the definition of the total amount of assistance that the claimants can get and whether it reaches the standards or not.

**Secondly, without a centralized management system, it is very difficult to obtain the integration of social assistance funds.** When it comes to promoting the coordination of social relief funds, each department clings onto its own standpoint, and maintain that the funds have been reasonably established and has an edge in the management of the relevant information and arrangements. However, the actual implementation of the policies reveals that the progress in information sharing is far from being satisfying, cross-sectoral communication and coordination is still yet to be achieved. Therefore, the present separation and segmentation in the management system represent the biggest barrier for the integration of social assistance funds.

**Thirdly, the hesitation in curtailing funds allocation hinders to a certain extent the integration progress.** The imbalance between the demand of relief funds and their supply is very relevant. On the one hand, with the advancement in poverty alleviation, the dibao beneficiaries capable of working start exiting from the program, and the number of relief claimants is sharply dropping. As a result, we may get some carryovers from dibao funds. On the other hand, relief programs, e.g. medical assistance, are suffering a big shortfall of funding and it is difficult to relieve vulnerable people both in cities and rural areas from the financial pressure resulting from disease treatment, especially that coming from severe diseases. However, the departments hesitate in promoting social relief fund coordination because they are concerned that once a specific relief fund

stops serving its specific purpose and is used to integrate other funds, this will interfere with their performance. At the same time, they also worry about being denied the right to allocate relief fund, and consequently lose their position of power.

**The segmentation of functions among different departments represent a big obstacle in the evaluation of the objectives of assistance programs.** Social assistance funds are scattered in various departments and great emphasis is laid on their performance in serving fiscal expenditure objectives. Therefore, these departments often evaluate the effectiveness of relief funds only from the perspective of how well they have satisfied these objectives. In fact in evaluating the performance of social assistance funds, it would be advisable to design and implement an evaluation system taking into consideration cross-sectoral coordination and convergence. It's not reasonable to criticize certain departments just because they are not making satisfying progress in budget expenditure; instead, we should deal with each case on its own merits, since some departments are virtually better integrated with other departments, and this is why their expenditures progress more slowly.

In essence, the coordination of social assistance fund heavily depends on the optimization, incorporation and integration of government functions. To establish an overall coordinated system in which government departments cooperate with each other and become incorporated is a precondition to achieve the coordination of social assistance funds.

## **V. Promoting the cross-sector coordination in China's social assistance system: working focus and challenges**

It's important to build up a cross-sector coordination mechanism, responding to the principle "one department has the responsibility, many sectors co-operate" and to retain a clear division of duties based on the power and responsibility that the government and each department have at the various levels.

### **i. Work focus of the cross-sector coordination based on the practical experience of different localities**

The experience of various areas suggests that the core of cross-sector coordination consists in the establishment of a stable and sustainable coordination mechanism between departments. Furthermore, the optimization and integration of their functions make it possible for specialized

agencies to undertake social relief work, and diminish the problems caused by the division of duties among different social assistance sectors.

**The starting point of the coordination among relief sectors is the establishment of a mechanism related to social assistance programs.** The establishment of a coordination mechanism among departments is the precondition to achieve the coordination of social relief.

The Jiangsu Province clarified that it's the civil affairs department's duty to play a leading role in promoting the coordination of social assistance efforts by legislation. As is clearly stipulated in *Interim Measures for Social Assistance in Jiangsu Province*, "the civil affairs departments of the local government at or above the county level take charge in the construction of a coordinated social assistance system". Furthermore, it calls for the establishment of an overall coordination mechanism for social assistance programs. The provincial government has established a joint conference system, in which the designated Governor takes full charge of the relief work, the designated Secretary General holds the post of convener, and the director of Civil Affairs Department is permanent convener. The joint meeting pulls together 28 provincial departments that are related to social assistance programs, and the office is located at the provincial Civil Affairs Department. At the meeting the responsibilities and tasks of each functional sector are clearly defined. Through this conference, every individual city, township (county and district) in the province establishes a working mechanism that features the guidance of government, the leadership of civil affairs departments, cross-sectoral collaboration and social forces participation.

The Anhui Province has established a joint conference system that involves 26 departments and agencies: civil affairs, finance, human resources and social security, the health and family planning commission, among others. The joint conference has been regularly held to tackle the challenging issues of social relief work, and to further improve the working mechanism that features government guidance, the leadership of the civil affairs department, cross-sector cooperation and social forces participation.

In Shanghai, the local management mechanism indicates that guidance should be provided by the government, the leadership by the civil affairs departments; it also indicates the agencies involved, the social forces called to participate, and the sub-district offices in charge of implementation. In May 2014, the municipal government issued the "Notice on constituting the social assistance joint conferences in Shanghai", which makes it clear that a designated deputy

mayor serves the role of convener and 27 agencies, including the Municipal Civil Affairs Bureau, participate in the conferences.

**Based on the notion of division of duties and coordination of functions among different sectors, it's possible to create a functional integration and a mechanism by which "one department's takes the lead, but many sectors cooperate" in order to provide people in need with a timely and convenient assistance.** The opening of a "one window service" is a good example of good cross-sectoral coordination.

In Anhui Province, the town-level government (sub-district office) has opened a window providing an integrated social assistance service, and at the same time has given clear indications on application procedures for different groups of beneficiaries and transfers, setting a limit to the processing time, strengthening the result by introducing a tracking system; this has create an easy access for those in great difficulties that now "have a window to turn to and get timely assistance".

Jiangsu Province established by May 1, 2014 an overall coordinated social assistance mechanism by opening in the offices of town-level governments (sub-district office) a special window that deals with social assistance applicants, and offers fast registration, application acceptance and transfer, etc..

Based on the experiences of Gulou District in Nanjing City, Taicang City in Suzhou and Funing County in Yancheng City where special windows were already opened, the provincial government proposed a new service notion that can be summarized as follows: "keep a window open all the time for the public, where the working staff is always available, and is capable of offering help", and introduced the principle "one department, one registration form and a unified standard".

**Based on the one-window service experience, some localities even integrated social relief programs, and established a specialized agency to be responsible for all relief arrangements.** This is the highest level of cross-sectoral coordination, and it has achieved the notion of "one agency, one function".

In Qiaodong District of Xingtai City, Hebei Province, the local government has designed a framework based on the notion "one platform, one fund, one management", and has started pilot programs for the coordination of social assistance resources and funds.

Following the example of the central government, the Yongding District of Zhangjiajie City, Hunan Province, has created a single office for all vulnerable groups.

In Qingdao, a working team was summoned to take responsibility for social relief work, and the head official of the city was appointed leader of the team. The establishment of specialized agencies promoted the implementation of the principle “one department’s takes the lead, but many sectors cooperate” and effectively diminished the occurrence of “multiple aid”. According to the requirement of coordinated relief mechanism, the assistance centers indifferent districts and cities are going to deal with the applications from individuals and families in a uniform way. In order to achieve this goal, it’s important to keep the present duties and power of the departments involved, to maintain the resources channels, as well as the approval procedure. As a key part of relief coordination, the assistance centers play a significant role in implementing the rule “**one department’s takes the lead, but many sectors cooperate**” in transferring applications and supervising their processing.

## **ii. Challenges in the cross-sectoral coordination**

So far, in most provinces and cities, the principle “one department leads and many sectors cooperate” has been established only at county level, and in the same service halls several windows, instead of a single window, deal with various social assistance work, such as accepting application forms, classifying the applications accepted, and transferring cases to other departments or sectors. In effect, there is a long way to go to establish a genuinely coordinated mechanism for social assistance characterized by resources sharing and a balance between supply and demand. The most important reasons are the following:

**It is difficult to achieve the coordination of functions among the departments related to social assistance.** Due to the division of functions and other factors, different government departments play various roles in social assistance activities, and as consequence is that “too many cooks spoil the broth”. The difficulty of function integration among various departments hinders the establishment of a unified and coordinated social assistance management mechanism. Each department owns fund for the management of specific measures. The recipients, benefit standards, application procedures, and relief objectives vary from one department to the other. Consequently, it’s almost a mission impossible to eliminate multi-channel assistance, repeated aid and missing aid. The result is the violation of the guideline of assistance work, i.e. “to support those at the bottom and provide emergency assistance for sustainable development”. Limited by the function division

between departments, relief programs with similar nature cannot be effectively combined, and this has created problems like overlapping, contradictory policies, and repeated aids.

Therefore, it is necessary and urgent that the civil affairs departments develop social assistance and welfare planning, to formulate integrated assistance policies, to work out adjustment plans, to enhance the construction of a coordinated and integrated social assistance and welfare system, to decrease overlapping and repeated assistance, to avoid blindness in policy making, to alleviate the problem of policy fragmentation, and to prevent policy conflicts that are caused by asymmetric information input in the process of policy adjustment.

It should however be underlined that although a unified assistance center has been set up in some areas (such as Qingdao), this can play only a minor role in heading the relief activities, promoting coordination, transferring applications, and other matters, since without appropriate authority to coordinate, supervise and integrate the functioning of these departments, it's hard for assistance centers to spot repeated assistance and missing relief interventions, and be successful in stopping malpractices.

## **VI. Promoting the information coordination in China's social assistance system: working focus and challenges**

Information coordination plays a crucial part in the integration of social assistance programs. As corner stone for relevant research in all aspects of social assistance, the integration of social assistance programs requires rules to coordinate information and a shared system accessible to decision-makers, administrators, and practitioners. It's important to promote the establishment of a cross-sectoral, multi-level information platform for social assistance management , and to strengthen the dynamic management of relief targets.

### **i. Working focus of the assistance information coordination based on the practical experience in different localities**

Based on the practical experience in various provinces, the key point for the integration of information lies in the establishment of a coordinated and comprehensive social assistance information platform. Modern techniques can be utilized to break cross-sectoral bulwarks, to enhance information sharing and resource integration, and to avoid repeated assistance or aid missing.

**Firstly, it's necessary to create an "integrated" social assistance information platform, which can guide, manage and incorporate assistance resources, provide information guarantee for the overall integration of the social assistance system.** Integrated information platform can effectively guarantee functional integration between different sectors. In the construction process of an integrated information platform, the management of the assistance process is computerized and becomes more dynamic, and the data accumulated will allow to take decisions to enhance macro-economic development.

The Qiaodong District of Xingtai, Hebei Province, provides a good example, and the local experience can be taken as a model. Local authorities worked out a framework for the management of the assistance system based on the principle "one platform, one fund, and one management system", and started programs for the integration of social assistance resources and funds. The "single platform" refers to the assistance center in which all applications for social assistance are filed and approved. The approval of major policies and large reliefs is demanded to the decisions of joint conferences. That term "one pool" refers to the budget requested by the assistance centers to the central financial department, and is the sum of assistance funds requested by each functional sector. Once approved, the beneficiaries can claim the verified amount of benefit from the financial department. The term "a single system" refers to the information system for the integrated management of assistance that incorporates the databases of beneficiaries' information, of the institutional information and service records, and contributes to cross-sectoral information sharing. An internet terminal is open to the public, departments as well as various charity organizations. The system is expected to provide "one-stop" service including benefit application, eligibility review, policy implementation, and information inquiry.

The City of Qingdao has developed a comprehensive assistance platform for unprivileged citizens, which plays a crucial role in policy convergence, information collection, information inquiry, data maintenance, statistical analysis, service reminding and mission transferring. The platform realizes the goal of resource exchanging and sharing. Individual department involved can take full advantage of this system, inquiring and inputting information before providing assistance and after, and giving a timely feedback. This system will help the social relief work to move from dispersion to coordination. Moreover statistical analysis techniques can contribute to the formulation and improvement of relief policies.

**Secondly, it's vital to give full play to the information platform in dealing with the problem of information asymmetry. Through overall information comparison and sharing,**

**assistance information is to be available on the network, thereby it promotes information integration and convergence. It is organically combined with the establishment and improvement of the mechanism that is applied in the verification and management of the economic status of beneficiary household.** Beijing has started the integration of social assistance resources with the establishment and improvement of a verification mechanism of the economic status of beneficiary households that will: (1) access the data and information on vehicles, real estates, social security and finances available in various departments of the city. (2) construct an information management mechanism operating at three levels, cities, counties and districts, towns and sub-district offices. This will allow verifying the economic status of local residents and to formulate detailed regulations on how to check local information that will include the division of duties, procedures, benefits, information security, file management and so on. It will also provide institutional guidance for the promotion of verification work in the whole city.

The Feicheng City in Shandong Province has collected information related to a number of families in hardship ,accounting for 8% of the destitute population, and has established a database that can be accessed by 45 member units. In this way every beneficiary is selected from the database and the procedure effectively promotes the accurate targeting of the beneficiaries, avoiding repeated aids.

## **ii. Challenges in the assistance information coordination**

The process of establishing a coordinated cross-sectoral information platform based on the principle “one department’s takes the lead, but many sectors cooperate” will face many difficulties.

**First: it’s hard to create a comprehensive assistance platform for a whole city or province.** It is probably too challenging to aim immediately to realize information sharing among different government departments because they have different duties and different economic interests. Even if such a platform was successfully established, it would still be a great challenge to get access to all the information that belongs to different departments and social organizations. Therefore, the key factor that can guarantee the construction of such an information platform is functional coordination and integration among different departments.

**Second: information sharing is hampered by the lack of uniform information standards.** Each assistance program has its own information system, and the difference in system modules makes it impossible to share information directly. Fragmentation leads to serious resource waste,

repeated and overlapping reliefs measures, adding work load to the working staff of local governments.

**Third: it's almost impossible to conduct a comparison between the in house existing information and the information that can be provided by third parties.** The arrangement of accurate assistance depend greatly on the verification of the accuracy of the available information on the potential beneficiaries and their income depends also on the availability of information on household registration, insurance, housing, vehicles, and so on provided by third parties. Hence it's both necessary and urgent for that third parties cooperate in building a unified information system.

**Fourth: the imperfections of the social assistance information system have negatively impacted on the enthusiasm in participating in social assistance activities.** Without a reliable cross-sectoral management system and free information channels, social relief work mainly relies on government investment. Social forces are scarcely involved; individuals and corporations have low awareness of various social assistance programs so that philanthropy is far from being significant.

**Fifth: the coordination of the information on social assistance is hindered by labour and human mobility.** At present staff turnover rate is unprecedentedly high, while the geographical mobility of human resources and production activities has greatly increased. As a result, there is a sharp conflict between the mobility of the beneficiaries of social assistance and the fact that the management of social assistance is generally based on given administrative divisions. Therefore, in the process of social assistance management, it is necessary to strengthen professional management, and to be more differentiated and accurate both in the horizontal management and in the division of longitudinal functions.

To sum up, the centralization and multi alignment of social assistance information makes it feasible to target social assistance beneficiaries more accurately and manage them dynamically. The future reforms need therefore to focus on the coordination of information, that will allow to promote the integration of various areas of social assistance.

**The Coordinated Management of the Social Assistance System**  
**An analysis of some EU countries: the Netherlands, Sweden**  
**and the United Kingdom**

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## **Introduction**

As set out in the Terms of Reference (ToRs) for this report,<sup>4</sup> in recent years, the Chinese system of social assistance has progressed rapidly. The promulgation of the Interim Measures on Social Assistance (2014) has represented a fundamental step that has determined better integration of funds and institutions, promoted better coordination among departments and the rapid development of means-test procedures, as well as the identification and check of the beneficiaries. However, a notable level of fragmentation still exists and the 3rd Plenary Session of the 18th CPC Central Committee has stressed the need to pursue and fully realize the modernization of the governance system and the governance capacity of the country.

The Ministry of Finance (MoF) underlined some of the main problems that affect the expenditure performance of the Chinese social assistance system, hence challenging poverty alleviation effectiveness:

In the first place connection and coordination among schemes are insufficient and the resources devoted to social assistance are too scattered, which leads to a sub-optimal articulation between programs and policies, and results in the use of social assistance funds less effectively than desired

The management of the system needs improvement

The sharing of information and resources among departments is not adequate

Multi-departmental, overlapping and missed delivery of benefits co-exist in the system in relation to these problems,

MoF listed the following challenges to be considered as a priority:

1. Optimize institutional design and coordinate social assistance resources
2. Strengthen the integration and coordination of social assistance funds
3. Standardization and scientification of Social Assistance and increase of protection level in line with socioeconomic development
4. Establish positive incentive mechanisms
5. Establish mechanism to promote a reasonable balance of responsibilities among the state, society, and individuals
6. Construct information sharing platforms and strengthen the mechanisms to check information

In order to find the best solutions for the challenges just outlined, the ToRs required the expert to document relevant experiences of the UK, Sweden and the Netherlands. The ToRs required the expert to produce a detailed report, including a background of the social assistance programs, on the following themes:

- The integration of social assistance schemes and policies
- Coordination of social assistance with other social protection schemes and poverty reduction programs

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<sup>4</sup> [http://www.euchinasrp.eu/images/documents/TOR\\_C2/C2\\_Expert\\_TOR\\_2.1.4\\_UK\\_NL\\_SW.pdf](http://www.euchinasrp.eu/images/documents/TOR_C2/C2_Expert_TOR_2.1.4_UK_NL_SW.pdf)

- Classification of beneficiaries and alternatives methodologies to assess eligibility
- Integration and coordination of funds
- Benefit bundling, benefit traps and incentives to work
- The role of central and local government in: financing social assistance, assessing eligible beneficiaries, and allocating social assistance funds
- Information platforms

Finally, the report indicates the main challenges of the current policies, trends and future perspectives for reform. The focus of this report is on these issues and so we do not describe the schemes in detail as to level of benefits, qualification conditions, etc. Basic data in this regard is set out in Annex 2.

Section 1 of this report sets out background information in relation to the three countries selected (i.e. the Netherlands, Sweden and the UK). Sections 2-4 describe each national scheme in some detail under the headings set out above. Finally, section 5 draws some conclusions as to the key points identified in this report.

## Overview of selected countries

The three countries selected provide an interesting variation in terms of their approach to social assistance. The UK has a highly centralised system while Sweden and the Netherlands have locally-administered systems but the Netherlands system is more centrally driven with financial incentives for local governments to follow central policy while Sweden leaves more autonomy to local government.

Basic data in relation to the economic and demographic status of the three countries is set out below.

Country	Population in million (2015)	GDP per capita per annum (\$) (2015)
Netherlands	16.9	45,210
Sweden	9.8	51,604
United Kingdom	65.1	40,412

The three countries range from the relatively small (Sweden) to one of the largest EU member states (UK). They are all among the wealthier member states which tend to have better developed models of social protection.

The three countries also provide an interesting comparison of the approach adopted by EU countries as they are generally seen as representing different welfare types within the European model. Sweden is the archetype of the Scandinavian or Nordic model. The United Kingdom is the main liberal welfare state in Europe. The Netherlands has its origins in the continental welfare model (like countries such as France and Germany) but can now be seen largely as *sui generis* (in a class by itself). The Netherlands has introduced a range of innovative reforms across different types of social protection and, as we will see, this also applies to social assistance.

## Netherlands

### 1. Introduction

The Dutch system of social assistance is now established under the Participation Act (Participatiewet) which replaced the Work and Social Assistance Act (WWB) in 2015 and integrated several acts into one system. Social security in the Netherlands is governed by the Ministry of Social Affairs and Employment (SZW) but social assistance is administered by the local municipalities. The national authorities are responsible for the general benefit levels in the social assistance scheme and for monitoring the implementation of the social assistance by municipalities. There are 390 municipalities in the Netherlands. [Amsterdam](#) has the highest population with 810,909 residents but many are very small.

The Participation Act provides social assistance to anyone aged 18 years and over legally residing in the Netherlands who has insufficient means to support him or herself. The principal idea behind the Participation Act is that everyone should have the opportunity to participate fully in society, preferably through a regular job.

The Participation Act replaced the Work and Social Assistance Act (WWB), the Sheltered Employment Act (Wet Sociale Werkvoorziening, WSW) and part of the Disablement Assistance Act for Handicapped Young Persons (Wajong). From 2015, access to the Wajong is limited to people not able to work. People who are capable of working now form part of the target group of the Participation Act.

Because the Participation Act is relatively new, it is more difficult to be definitive about its impact to date and there have been limited studies to date. However, the 2015 reforms are a culmination of over a decade of reforms including a more work-focussed approach and greater devolution of responsibility to the municipalities and there have been a number of studies of the impact of these earlier reforms.

In 2015, 450,000 persons received social assistance (up to pension age) at a total cost for the benefits under the Participation Act of EURO 5.5 billion.

### 2. The integration of social assistance schemes and policies

#### a) Co-ordination of social assistance with other social protection schemes

Social assistance falls under the responsibility of the Ministry of Social Affairs and Employment (SZW) which is also responsible for the main Dutch social security schemes, although these schemes are administered by other agencies rather than by municipalities. However, as we set out in more detail below, the law requires cooperation between these agencies and the municipalities in many areas.

#### b) Co-ordination with social services

Municipalities are also responsible for many social services and co-ordination between social assistance and social services appears to be quite good. Blommesteijn et al. (2015) state that

Many municipalities choose a form of social neighbourhood teams (SNTs, Sociale wijkteams), in which several support disciplines are combined (e.g. social, youth and

community work, municipal social support counselling, district or neighbourhood nurse, counsellor for elderly persons, the reintegration of recipients of social benefits very distant from the labour market, debt-assistance etc.). These teams are intended to reach out into the neighbourhood, identify problems at an early stage and refer citizens to appropriate forms of support and care.

Other municipalities have created a network of relevant care and support providers around the already existing municipal access to care and support.

c) Co-ordination with employment services

As set out above, the main idea behind the Participation Act is that everyone should have the opportunity to participate fully in society, preferably through a regular job. Therefore, linking to employment services is very important and the Participation Act includes active labour market policies. Under the Act, regional public employment services are being set up. The Participation Act also allows municipalities to pay wage cost subsidies from their Income budget. Municipalities can also create new forms of sheltered employment.

Every labour market region has at least one jobseekers' centre, where municipalities and the UWV-WERKbedrijf work together with employers and temporary work agencies (see Blommesteijn et al., 2015). This single point gives access to most of the necessary benefits (including both social assistance and unemployment benefits) and activation. For recipients of social assistance, this can also be the access point for other services. In addition to this single window, there is a single website ([werk.nl](http://werk.nl)) that the unemployed can access and which is also used by employers to fill vacancies.

After the first contact at the jobseekers' centre, people are assigned to a support worker depending on the kind of benefit to which they have access. Social assistance recipients may have just one or two different municipal support workers handling their cases (benefits and activation). This may differ between municipalities. On transfer from the public employment services to the municipal social services, the contact person changes, but a common information system (Suwinet) is used (see below). There are privacy regulations concerning the sharing of data.

Recipients of social assistance (including partners) must do as much as possible to support themselves. Every recipient must try to get work, accept a suitable employment and be registered as a job seeker at UWV-WERKbedrijf (government agency responsible for managing unemployment insurance). They also have to cooperate with examinations and any support that is offered to them (for example job application training). The introduction of the Participation Act has increased the conditions to which claimants are subject (see Blommesteijn et al., 2015, p. 12). If the claimant refuses to cooperate in efforts to find employment, the municipal social security administration will reduce the benefits or stop them entirely for a period. Municipalities can grant temporary exemption from the obligation to accept a job on social grounds such as addiction, single mothers with young children, or age (57.5 years or older). The exemption of single parents comes with an education/training requirement for the single parent.

Under the Participation Act, recipients of social assistance can be obliged to compensate for the fact that they receive social assistance, for example by taking up voluntary work. The municipalities have substantive discretion on the implementation of this obligation. Refusing to cooperate can lead to fines or temporary freezing of the social benefits..

The SZW Inspectorate (2016) has recently published an evaluation of the role of municipalities under the Participation Act in getting young people into work. This was generally positive and found that municipalities were developing their expertise on working with vulnerable youth target

group. For example, schools, municipalities and employment services were working together by exchanging information and matching work processes. However, in a subsequent more general review of the implementation of the Act, the Inspectorate found that, while that administrative cooperation in the labour market regions has improved in recent years, cooperation with employers and cooperation between municipalities and UWV is still insufficient. The Inspectorate identified risks for achieving the objectives of the Law on Participation and Employment, and called for a strong impetus to improve the quality of implementation

d) Co-ordination with poverty reduction programs

Municipalities are also responsible for policies concerning combating poverty and debt assistance for which they receive funding from the national government. Blommesteijn et al. (2015) report that the government has intensified its policy on poverty and debt assistance (including prevention of debt) in recent years. Funding has been made available to municipalities whereby social institutions can apply for subsidies for projects aiming at combating poverty and debt problems. The municipalities develop and implement their own policies and define their own target groups. In general the benefits are aimed at low-income households (up to 110 – 125% of the minimum wage). Benefits include long-term extra allowances; special social assistance (assistance for exceptional expenses); discounts on collective health care insurance and collective additional health care insurance; assistance for participation in sports, culture and education; remission of municipal taxes, for example sewerage charges and waste levy.

The minimum income payment also plays an important role in reducing poverty. In general, Blommesteijn et al. (2015) state that the net income packages of social assistance reach the EU at-risk-of-poverty threshold (60% median threshold).

### **3. Classification of beneficiaries and alternatives methodologies to assess eligibility**

The UWV-Werkbedrijf receives the claim for social assistance. It transfers the claim in question to the municipality responsible, which will evaluate whether there is a right to social assistance. The municipality has to decide within 8 weeks whether to grant the claim. The Ministry provides detailed guidelines for the administration of social assistance including making decisions, use of employment services, etc.

### **4. Benefit bundling, benefit traps and incentives to work**

Entitlement to social assistance under the Participation Act does not act as a passport to other social benefits and, in general, any other income received, including social benefits, is taken into account in assessing entitlement to benefit.

There are some limited disregards for income from work to encourage people to take up employment. For example, municipalities can exclude 25% of a person's salary for six months when determining someone's income, up to a maximum of EUR 188 a month.

Studies indicate that, prior to the introduction of the Participation Act, long-term dependency on social assistance was much higher in the Netherlands than in Nordic countries (Königs, 2015).<sup>5</sup> Similarly Immervoll et al. (2015) found that, in Sweden, the duration of benefit spells was typically very short (median spell durations of 2-3 months) but a majority of benefit recipients have multiple spells on social assistance. In contrast in the Netherlands median durations tended to be long (9 and 15 months, respectively) but benefit leavers are unlikely to return to benefits. Overall duration on welfare (adding different claims) was longer in the Netherlands. This issue is perhaps one of the reasons for the reforms which have culminated in the Participation Act 2015.

The current policy (Participation Act 2015) is a further development of policy measures which have been ongoing over the past two decades. Studies of these approaches found positive effects of control, activation, employment creation, and coordination strategies on social assistance inflow and outflow. This suggests that the activities of municipalities do matter, although the effects were relatively small and differed depending on the labour market strategies adopted (Broersma et al., 2011). An evaluation by Kok et al. (2017) has also found that the reforms which have encouraged municipalities to decrease the number of welfare claimants led to a significant decline in claims for social assistance.

Similarly a case study in the Dutch city of Rotterdam examined the specific policy measures introduced there whereby each person qualifying for social assistance who was capable of work was required to follow a work-program for at least 15 weeks. This included both job counselling and training and unskilled work for the municipal cleaning service and can be seen as a combination of ‘carrot and stick’. Non compliance with the program led to sanctions/ The study found a significant reduction in inflow to social assistance and an increased level of outflow (De Hek and de Konig, 2015).

## **5. The role of central and local government in financing social assistance, assessing eligible beneficiaries, and allocating social assistance funds**

The Participation Act is national legislation which applies to the entire country and the Minister for SZW is responsible for policy. The law sets, for example, standard national rates for social assistance benefits.

In addition, the Social Affairs and Employment Inspectorate (Inspectie SZW) exercises supervision on the implementation of ministerial regulations concerning work and income by municipal social services.

The national authorities have assigned the implementation of the Participation Act to the municipalities, on the basis of shared administration. Municipality responsibility includes the provision of tailor-made benefits, support for people entitled to a supplementary benefit and support for people trying to regain their financial independence. The way a municipality provides support is laid down in regulations with accompanying policy rules.

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<sup>5</sup> In making cross-national comparisons, some caution must be exercised in that the composition of the case-load may be quite different from one country to another.

## **6. Integration and coordination of funds**

The Netherlands is one of the few examples of an EU country which uses financial incentives to encourage local administrations to be more efficient in their implementation of social assistance. The Dutch social assistance is nationally financed from general revenues of the central government. Dutch municipalities receive two different budget allocations: the income budget for benefits and the work budget for reintegration activities.

Since benefit eligibility is centrally regulated, municipalities can only affect their financial position by reducing the number of people who require social assistance (e.g. by providing better employment services), or by stricter enforcement of eligibility requirements, or both. This financing system is intended to give the municipalities a strong incentive for labour market integration of social assistance recipients.

The distribution of resources to municipalities is based on the results of a statistical analysis which calculates the likely need for assistance based on local data as to relevant variables for this purpose. The probability of claiming assistance varies by household type, ethnicity and disability. Thus, for example, single parent families, ethnic minorities, but also people with a labour disability have a higher than average chance of needing assistance. The factors taken into account in calculating the allocation to a municipality include the following data for that municipality (both at household level and area level):<sup>6</sup>

Household Characteristics (e.g. single parent; presence of a person aged 15-24 years; presence of a person aged 55 years-old age pension; living in social housing; having a non-western background; education levels; person with a disability)

Area characteristics (e.g. property values; level of unemployment in the municipality; population growth in the municipality; labour market opportunities)

The model is (mostly) based on the Labour Force Survey (LFS) of Statistics Netherlands. There are transitional arrangements for the first three years, whereby the national budget available is partially divided based on the allocation model (above) and partly on the basis of expenditure in the past. The allocations made to each municipality are published on the Ministry's website.

Municipalities can gain if they succeed in spending less than the allocation but have to use their own funds if their expenditure is greater. If the municipality's benefit expenditure is higher than the target amount, the municipality has to cover the additional costs. If their social assistance payments are less, they may use these funds for other municipal purposes. Municipalities that have budget deficits under the Participation Act should in principle absorb these deficits from its own resources. However, under certain conditions, municipalities in deficit are eligible for a supplementary budget from the Ministry.

This approach attempts to use financial incentives to encourage municipalities to implement national policy rather than using traditional monitoring tools. In addition to the studies mentioned above, the SZW carried out an evaluation of the impact of the scheme in 2007 which was published (but is only available in Dutch). This evaluation, which was carried out on behalf of the Ministry, described in detail the implementation of the social assistance system and used a variety of methodologies to assess the impact of the reform on expenditure and the effect of decentralisation. In general, the evaluation found that the reform to that date (which was later developed by way of

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<sup>6</sup> <https://www.rijksoverheid.nl/onderwerpen/participatiewet/inhoud/participatiewet-informatie-voor-gemeenten>

the Participation Act) had had positive effects in these areas. For example, it found that the number of claimants had fallen by an estimated 4% as a result of the reform. Broersma et al. (2013) also found that earlier measures towards decentralisation had a clear positive effect on cost efficiency.

Thus, there is evidence that the recent reforms have improved the efficiency of policy implementation and that the number of social assistance claimants was reduced as a result of the introduction of the law. However, there has also been some criticism that the reliance on incentives has led to an absence of any national monitoring of outcome such as the impact of the social assistance on poverty or the extent of coverage (and non-take up) of benefits (Blommesteijn et al., 2015).

## **7. Information platforms**

The Netherlands has developed a special information platform called *Suwinet* to support the implementation of the Work and Social Assistance Act (the predecessor of the Participation Act). This has been in place since 2002. Suwinet is used by municipalities (and related agencies such as employment agencies) to manage data in the implementation of social assistance and employment services. Public agencies such as the Tax Office, Student Data Authority, Land Registry, National Road Authority and the UWV social share personal information with municipalities in relation to the implementation of the Act. The system, which is operated by the UWV is intended to check whether a person is entitled to a benefit or to detect benefit fraud. The Participation Act set out rules in relation to control of data and standards have been developed for the municipalities to ensure data security and address privacy issues. The implementation of these rules is monitored by the SZW Inspectorate. There has been some controversy about data protection issues in relation to the data collected in this platform.

## **8. Main challenges of the current policies, trends and future perspectives for reform**

The main focus of the Dutch authorities is currently on the ongoing implementation of the Participation Act and refining its operation in terms of issues such as financial allocations to municipalities and data security. A major challenge is to ensure that all stakeholders work together more effectively to address the challenges identified by the SZW Inspectorate (2016b). Ensuring that claimants who are further from the labour force can also benefit from the reforms is also likely to be a key challenge.

The Dutch National Reforms Programme 2017 (adopted as part of the European Semester)<sup>7</sup> identifies two specific objects in this area: enabling experimentation within the Participation Act and creating more knowledge about the effectiveness of financial incentives and labour and re-integration requirements, in order to more effectively implement the Participation Act

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<sup>7</sup> This is an annual cycle of economic, financial and budgetary policy coordination in the European Union.

## Sweden

### 1. Introduction

The main social assistance payment in Sweden is known as Ekonomiskt bistånd (Financial Aid). In contrast to most other Swedish social security payments this is administered by municipalities. Sweden has 290 municipalities, and in terms of implementation, these have substantial leeway. However, the national legislation (the Social Services Act) sets out the rules for the scheme including uniform national basic rates of assistance. Municipalities are allowed to pay more, but not less. The Social Service Act states that the municipality has the ultimate responsibility to make sure that those who stay in the municipality gets the support they need in order to reach a reasonable standard of living. Financial aid falls under the responsibility of National Board of Health and Welfare (Socialstyrelsen) which is a government agency under the Ministry of Health and Social Affairs. The Board issues guidelines to the municipalities on the administration of financial aid.

Financial aid is a general safety net payment which covers all people from 18 years of age and up. It includes both people who are unemployed and, subject to a means-test, people who are in work. All people residing in Sweden may apply for social assistance. People with a Swedish residence permit, as well as EU and European Economic Area (EEA) citizens who either work or are actively looking for work, have the same right to apply for social assistance as Swedish citizens. People without a Swedish residence permit cannot receive social assistance, except money to cover emergency needs (usually support with travel expenses to their place of residence).

### 2. The integration of social assistance schemes and policies

#### a) Co-ordination of social assistance with other social protection schemes

Most benefits and transfers in Sweden are based on individual entitlements and are administered at the national level by the Social Insurance Agency (Försäkringskassan). The eligibility criteria and entitlement levels for such benefits are uniform throughout the country. There appears to be rather limited cooperation with the state-run Social Insurance Agency. Nelson and Fritzell (2015) report that, in 2012, only about 12% of all municipalities had written guidelines for cooperation with this agency.

#### b) Co-ordination with social services

In principle, coordination with social services should be good as these services (such as social work and social care) are also provided at a municipal level. Nelson and Fritzell (2015) report that ‘emphasis on care continues to characterise the delivery of social assistance in Sweden’. However, Sweden has not introduced one-stop shops to provide a common gateway to all social benefits and services. Instead, emphasis is placed on cooperation between public authorities at different levels of government, in order to develop greater coordination. Nelson and Fritzell (2015) state that

It is unclear how successful this strategy has been in terms of providing quality services to social assistance recipients and in moving people off the welfare rolls.

It appears that the level of co-ordination varies significantly from one municipality to another. Only a few municipalities have introduced formal and structured cooperation between government agencies in the area of social assistance and social services. About 13% of all municipalities had written guidelines for cooperation with county-financed primary care services.

c) Co-ordination with employment services

Between 40-50% of all claimants (48% in 2015) claim financial aid because they are unemployed but do not qualify for unemployment insurance.<sup>8</sup> People who receive social assistance are in principle required to actively seek employment and accept any available job, or to participate in labour market activation programmes, if they are of working age and in good health. About 50% of all claimants are registered with the employment services. However, claimants of financial aid are less likely than claimants of unemployment insurance to participate in active labour market policy (ALMP) programmes organised by the state.

The national guidelines for social assistance published by the National Board of Health and Welfare outline the need to organise social assistance so as to increase the likelihood of recipients moving out of benefits and into employment. Employment services are primarily a national responsibility but in 2012, only about 20% of all Swedish municipalities had written guidelines for cooperation between the local Social Welfare Agency and the state-organised national Employment Agency.

Municipalities may organise their own labour market activation programmes, as long as they do not replace labour market services at the national level. There is limited information about the impact of the municipal services. However, there is some evidence that they are less effective than national measures in getting people back to employment. It seems likely that this would be due to people on social assistance being further from the labour market.

Thorén (2008) found that street-level implementation practices involved a number of informal practices that mean that activation policy delivery does not fully implement formal policy intentions and program goals. Activation policy practice entailed, for example, mass referrals instead of individual needs assessments and tailor-made solutions. Clients were sorted and categorized by social workers on the basis of perceptions about behavioural deficits instead of employment needs. Thus, the study found that assumptions about the target populations structured the street-level delivery processes, and that social work principles and formal activation policy rhetoric, both of which emphasize individual needs assessments and tailor-made solutions, had a weaker impact on activation policy in practice.

Nybom (2011) found that the extent of activation varies significantly between municipalities, from 20% to 60%. [Bergmark et al. \(2016\) found that the most relevant factors in reducing the length of time spent on social assistance were](#) activation with a focus on human resource development, programmes targeted at young adults, well-functioning collaboration, and use of sanctions or an overall approach characterized by systematised efforts.

Nelson and Fritzell (2015) state that ‘The activation requirements of social assistance recipients are in most cases implemented quite strictly’. Failure to comply with those requirements may result in the withdrawal of benefits, totally or partially. However, municipalities are not allowed to require people receiving social assistance to engage in unpaid work.

d) Co-ordination with poverty reduction programs

Social assistance plays an important role in reducing poverty in Sweden. However, there is no explicit link between the level of financial aid and poverty thresholds used in research or at EU level (Sweden has no officially adopted definition of poverty). In fact, there has been a gradual decline in benefit levels compared to poverty thresholds over the last 10-15 years.

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<sup>8</sup> Illness and disability were the next most common reasons (c. 20%).

Kuivalainen and Nelson (2012) found a decline in the percentage reduction in poverty attributed to social assistance and a corresponding increase in the poverty rates among claimants of social assistance) for the period 1995-2005. However, in 2005, social assistance still played an important role in poverty reduction, reducing poverty by about 40% amongst social assistance claimants. This was much higher than most other European countries (other than other Nordic countries). In Sweden, poverty reduction is generally addressed through general employment and social policies and policies focussed on specific groups rather than through specific poverty reduction programs as in China.

### **3. Classification of beneficiaries and alternative methodologies to assess eligibility**

The social welfare officer of the municipality evaluates the claim and makes a social investigation. The assessment is based on a financial investigation of the person's assets and incomes. The social welfare officer also investigates how the person can be self-supporting. The decision should be made within a "reasonable time frame".

Research on decision-making (Stranz et al., 201) found that social assistance is granted in about 74% of cases but only 6% of applicants are granted additional labour market strengthening measures. In terms of the factors associated with a grant of assistance, the results indicate that the granting of benefits seems to depend on a broad spectrum of factors at both the client and the social worker levels. For example, more experienced social workers are less willing to grant social assistance while the likelihood of receiving assistance increases when an applicant is already registered at the local public employment service and/or social insurance office. Moreover, social workers are in general more generous towards women and people born outside Sweden, but rather less generous vis-à-vis single parents.

### **4. Benefit bundling, benefit traps and incentives to work**

Unlike the situation in China, in Sweden, social assistance is not used as a passport to other benefits. Instead all income, whatever its origin, is included in the means test for social assistance. This includes other social benefits. The only exception is housing benefit as rent expenses are not covered by the national scale rates.

In order to reduce financial disincentives of moving from social assistance to employment, there are a number of disregards including that 25% of earnings are exempt from the means test after 6 months in receipt of benefits.

However, long-term dependency on social assistance is seen as an issue in Sweden and the average time spent on social assistance in one year has increased from 4 months in 1980 to 6.5 months in 2014 (Bergmark, 2016). Behind this trend there is a sharp increase in the number of households with longer welfare periods and a significant reduction in households with shorter claims. The group which received assistance for 10-12 months during the year increased from 14 to 35 percent of welfare households.

Research conducted by Bäckman and Bergmark (2011) further indicate that long periods on social assistance in themselves constitute an obstacle to establishing self-sufficiency.<sup>9</sup> They found that

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<sup>9</sup> See also Mood (2013) who found that the risk of remaining on social assistance is higher at longer durations, but around half of this risk difference is caused by selection, i.e. those with favourable characteristics exit first, while those without remain on assistance.

previous experience of both employment and social assistance receipt are important determinants for all types of exits from social assistance reciprocity.

However, the level of long-term dependency on social assistance appears to be much lower in Sweden (and other Nordic countries) than in many other European countries including the Netherlands (Königs, 2015).

## **5. The role of central and local government in: financing social assistance, assessing eligible beneficiaries, and allocating social assistance funds**

As set out above, the rules of the financial aid scheme are set out in national legislation (Social Services Act (Socialtjänstlagen (2001:453)) of 2001) but the 290 municipalities are responsible for funding and administering the scheme under the guidance of the National Board for Health and Welfare.

Swedish municipalities vary dramatically in size from Stockholm with 910,000 inhabitants to many municipalities with less than 10,000 inhabitants. The municipalities have the right to raise taxation and most of their financial means comes from a flat rate income tax, usually above 30 per cent of income.

More than 226,500 households received social assistance at some point in 2015, which is approximately every twenty households in Sweden. Municipalities paid out SEK 10.6 billion (EURO 1 billion) in 2015, which is largely unchanged from the previous year. This is less than 10% of the municipalities' total budget.

## **6. Integration and coordination of funds**

As noted above, social assistance is funded by the municipalities from local taxation. About 70% of municipalities' revenues come from locally generated income tax. The remainder consists mainly of general and earmarked grants (16%) and local charges and fees (10%). As such funding for social assistance forms part of the municipality's budget which must be agreed annually to cover the next three years.

The Local Government Act includes a balanced budget requirement which means that the budget of a local authority must, in general, be drawn up so that income exceeds expenditure.<sup>10</sup> The Local Government Act states that local governments shall exercise good financial management in their activities. The state supervises local authorities through government agencies like the National Board of Health and Welfare. Supervision must have both a scrutinising and a supportive element. Government agencies cannot declare local government decisions invalid, but they can in certain cases initiate a judicial review or impose a financial penalty on a municipality.

Every local authority must have at least three auditors who are elected representatives appointed by the assembly. These auditors are assisted by experts, who are professionally qualified auditors. The auditors consider whether activities have lived up to the objectives set up by the assembly, whether they have followed the relevant decisions, legislation and regulations and whether the financial accounts are true and fair.

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<sup>10</sup> There are exceptions for 'exception reasons' such as a strong financial position or major restructuring actions but the deficit must be paid of in the following years.

A review by Standard & Poors (2011) found that

The central government has no formalized mechanisms for monitoring the financial situations of individual LRGs [local and regional governments]. The LRGs are not required to submit reports or budget documents for approval from any government ministry. Rather, the Ministry of Finance relies on the LRGs to comply with accounting standards and promptly signal and report potential financial problems. However, the absence of formalized government monitoring has not proven overly relaxed, because the central government has been properly notified about financial problems at individual LRGs. We also note that the central government has historically extended support in instances of reported financial distress in the LRG sector.

While there is no direct government funding for social assistance, funding for local government is based on a comprehensive equalization system and the ‘local government financing principle’. Essentially, this principle ensures that if the central government takes decisions that directly affect the operations of the municipalities, for example mandating new responsibilities, these decisions must be accompanied by a corresponding change in the financing grant from the state.. The equalization system comprises two major parts: one on the revenues side, which is structured to even out the differences in tax base per capita; and one on the expenditures side, which distributes funds and grants to local governments with adverse cost structures and unfavourable demographic compositions.

## **7. Information platforms**

Swedish local authorities have taken a number of initiatives to develop information platforms in the area of social assistance. Municipalities are developing a number of innovative approaches including:

- A system known as Digital service for financial aid (*SSBTEK*) which is an electronic service that supports and simplifies the management of cases in financial assistance. More than 220 municipalities now use this service. The Social Insurance Agency is responsible for technical management and operation of the service on behalf of the Swedish Association of Local Authorities and Regions (SKL). Municipalities can get data from a range of agencies including the Social Insurance Agency, tax authorities, student finance agency, etc.
- An integrated query function (*Multifråga*) that streamlines social service work in connection with the handling of cases of social assistance. This is linked to SSBTEK and allows a municipality administrator administrator to send an electronic request and get a consolidated and clear response from all agencies .
- A national, web-based email service (*eAnsökan-EkBist*) for individuals seeking continued financial aid including a number of Web-based forms, where the applicant fill in the data needed for the application

## **8. Main challenges of the current policies, trends and future perspectives for reform**

Although Sweden has also moved in the direction of a greater focus on employment, like the other two countries considered here, it is probably fair to say that Sweden has undergone fewer major reforms than the Netherlands and the UK. Arguably this is because the system of social assistance was working reasonably well. For example, we have seen that, despite national concerns about

welfare dependency, it appears that durations on social assistance are short in Sweden compared to other countries. The challenges facing Sweden are to find ways to cope with the rising trend towards longer durations on social assistance and to help recipients find work. Sweden is also working towards rolling out its information platform to all municipalities.

## **The United Kingdom**

### **1. Introduction**

Income support is the main social assistance ‘safety net’ payment in the UK. Unlike other countries examined here, however, the UK also has separate means-tested schemes for unemployed (jobseekers allowance) and disabled (employment and support allowance) claimants. All these schemes are administered by the Department of Work and Pensions.<sup>11</sup>

Originally, IS was a broad-based safety net scheme for persons whose resources were insufficient to meet their needs. However, over time, IS has been narrowed down to a more restricted group and people have been transferred to work-related benefits. In 1996, about 1.5 million claimants were transferred to the new jobseekers allowance (JSA). From 2000, people over 60 are no longer entitled to IS and a claim a separate ‘pension credit’ instead. Subsequently, from 2008 lone parents with children over the age of 5 have also been transferred to JSA. From 2008, employment and support allowance (ESA) also replaced income support paid on the grounds of incapacity for new claims. At November 2016, the total number of income support claimants was 630,000. Lone parents represented 64% of the IS case-load. Claimants of incapacity benefits represented 3% of the IS case-load, while carers and others represented 33% of the case-load.

We focus here mainly on the income support (IS) scheme but, in relation to links to employment we also look at policy in relation to jobseekers allowance and employment and support allowance.

The UK is currently introducing a major reform of its working-age benefits with the introduction of a new ‘universal credit’ (UC) scheme to replace existing schemes for both in-work and out-of-work claimants. The UC reform aims to restructure the benefit system, to create one single income-replacement benefit for working-age adults which will unify the current system of means-tested out-of-work benefits, tax credits and support for housing. It aims to improve work incentives by allowing individuals to keep more of their income as they move into work, and by introducing a smoother and more transparent reduction of benefits when they increase their earnings. It will reduce the number of benefits and the number of agencies that people have to interact with and, thereby, aims to smooth the transition into work so that it will be easier for claimants to understand their entitlements and easier to administer the system, leaving less scope for fraud and error. However, this is still in the process of being rolled-out and experience in relation to the existing schemes is of more relevance to the Chinese situation.

### **2. The integration of social assistance schemes and policies**

- a) Co-ordination of social assistance with other social protection schemes

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<sup>11</sup> The United Kingdom consists of Great Britain (England, Scotland, Wales) and Northern Ireland. In terms of social assistance benefits covered here, there is effectively the same national scheme across the UK with some small differences (and separate administration) in Northern Ireland. As Northern Ireland is small (1.8 million population) and the differences are not very important, we focus here on Great Britain.

IS is administered nationally by the Department of Work and Pensions (DWP) which is also responsible for the administration of most other welfare benefits in the UK.<sup>12</sup> Therefore, in principle there should be a high level of integration in the administration of all social security schemes. However, one of the reasons given for the introduction of the new universal credit scheme is that the current system is a complex array of benefits which interact in complicated ways, creating perverse incentives and penalties, confusion and administrative cost. The introduction of UC is intended to provide a more integrated system of benefits which will make it easier for people to take up or increase work and reduce error and fraud.

b) Co-ordination with social services

IS is administered nationally by the Department of Work and Pensions (DWP) whereas social services are administered mainly by local authorities. There are few if any institutional linkages on the side of DWP between the administration of IS and the provision of care services and insofar as co-ordination exists this depends on the efforts of the social work teams at the local authorities, many of whom provide advice and advocacy services in relation to social assistance issues (though it is hard to describe this as co-ordination).

c) Co-ordination with employment services

The UK has developed activation policies linking social assistance to employment services over the last 20-30 years. In 1996, the UK introduced a new jobseekers allowance with greater conditionality. However, while this led to a fall in unemployment, there was a concomitant increase in claims for incapacity benefits. Therefore, in 1998 the new government introduced a range of welfare-to-work schemes (known as *New Deals*) for lone parents, people with disabilities and others. Subsequently from 2002, the agencies responsible for employment services and benefit payment were amalgamated into *Jobcentre Plus*. In 2010, a new government introduced a reformed welfare-to-work scheme called the *Work Programme*.

In addition to the institutional reforms (*Jobcentre Plus*), these measures have, in general focussed on a work-first approach and include measures such as jobsearch support, personalised action plans, monitoring, etc. These measures have been compulsory and have been supported by sanctions for non-compliance (though a recent report by the National Audit Office states that the DWP is not doing enough to find out how sanctions affect people on benefits.).

In general evaluations have found a positive impact for these employment measures both on reducing inflows to social assistance and in increasing exits to job from social assistance (Riley et al., 2011; Meager et al., 2014). However, reforms such as the introduction of the employment and support allowance for people with incapacity have been controversial and a study by the OECD (2014, p. 168) found that rates of return to work for people on ESA were low and that, to date, no benefits from the additional conditionality involved in this payment had emerged.

d) Co-ordination with poverty reduction programs

In the UK, local agencies take action which, directly and indirectly reduces poverty but, as in the case of social services, there are few direct institutional links with the administration of social assistance payments.

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<sup>12</sup> Housing benefits are administered by local authorities.

Social assistance plays an important role in reducing poverty, as in the other countries, and Bradshaw and Bennett (2015) found that the minimum income scheme was well targeted and contributes to reducing the pre-transfer poverty rate by 60% (although the rate of benefit fell well below the EU at-risk-of-poverty threshold).

### **3. Classification of beneficiaries and alternatives methodologies to assess eligibility**

Decisions in relation to entitlement to benefits are made by officials of the DWP known as decision-makers. The DWP provides detailed guidance to the decision-makers on how to implement the law and has an internal process for reviewing and improving decision making. Means is assessed based on factual data, e.g. wage records and bank account details.

The DWP also sets and monitors targets for service delivery. These include<sup>13</sup>

- Customer and claimant satisfaction rate of DWP services (currently 84%) – this is conducted by a third-party research organisation and analysed by DWP
- Targets for claim processing – in the case of Income Support, the target is that claims should be processed within 10-14 working days.

The DWP uses its IT system to gather and analyse data wherever possible, e.g. in relation to claims processing times. However, public satisfaction surveys are also carried out to assess customer satisfaction. The results of this monitoring and the extent to which the DWP is meeting its targets are published on an annual basis (in the DWP's annual report) and may be subject to review by the Independent Board of Audit (National Audit Office) and/or by a parliamentary committee. The report discusses the extent to which targets are being met and outlines any challenges or lessons from the process.

### **4. Benefit bundling, benefit traps and incentives to work**

Bradshaw and Bennett (2015) report that receipt of out-of-work means-tested benefits acts as a passport to food vouchers and vitamins for pregnant and nursing mothers, free school meals and exemption from charges for prescriptions, dental and optical treatment. It may also be used as a passport to reduced charges for aids and equipment provided by local authority personal social services. In some local authority areas this may also be true for example use of leisure services etc. and local authorities can give grants for school uniforms and other school clothes, for which they can determine their own eligibility rules.

The extent to which welfare benefits (including social assistance) act as a disincentive to work is a much debated issue in the UK. Successive governments have taken the view that this is an important issue and one of the rationales for the introduction of universal credit is to reduce 'welfare dependency'. The government stated that for people reliant on benefits, the incentives to move into work or to increase earnings once in work could be very low.

On the other hand, social assistance benefits are not high in the UK (compared to some European countries) and OECD data indicates that replacement rates in the UK (i.e. the proportion of earned income received on benefits) are not particularly high, except for those in long-term receipt of

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<sup>13</sup> DWP, *Annual Reports and Accounts 2015-16*.

benefit (even here the UK is about the same as the Netherlands).<sup>14</sup> The same data indicates that the ‘participation tax rate’ (i.e. the fraction of any additional earnings that is ‘taxed away’ by the combined effect of higher taxes and reduced benefit entitlements when the individual takes up a new job) for those on safety-net benefits is 78% in the UK compared to 80% in the Netherlands and 68% in Sweden.

## **5. The role of central and local government in: financing social assistance, assessing eligible beneficiaries, and allocating social assistance funds**

Unlike the other two countries considered here, IS and other social assistance (JSA and ESA) benefits are entirely funded from central taxation and local government plays no role in financing social assistance, assessing eligible beneficiaries, and allocating social assistance funds. In the past, this was the task of local governments in the UK but there has been a general centralisation of social assistance policy in the UK to ensure greater standardisation and control.

## **6. Integration and coordination of funds**

As IS is entirely funded from central government, this forms part of the national budget and is subject to the general budget rules. The expenditure of IS is subject to audit by the National Audit Office.

## **7. Information platforms**

The DWP uses an integrated and unified IT system, for the administration of income support. Thus data in relation to claims in an area of Britain can be used for monitoring and management of the overall system of income support. In addition, the DWP uses techniques such as data-matching (i.e. accessing and comparing data from other agencies such as tax authorities, local authorities, etc.) to ensure that social assistance is being correctly allocated.

## **8. Main challenges of the current policies, trends and future perspectives for reform**

The main challenge currently being faced by the UK authorities is the implementation of the new system of universal credit. This has been significantly delayed and the current plan is that it will be fully implemented by 2022. As we have seen, the focus of UK policy over the past number of decades has been on prioritising work over welfare and developing a more active approach to working-age welfare claimants.<sup>15</sup> Overall, the UK has been quite successful in adopting a more active approach through, as we have seen, the amalgamation of the benefit and employment services, providing more and more-focussed employment services to claimants and tightening conditionality in order to claim social assistance. As part of these reforms, unemployed, incapable and old claimants have been largely removed from the income support scheme as have lone parents

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<sup>14</sup> <http://www.oecd.org/social/benefits-and-wages.htm>

<sup>15</sup> The concept of ‘working-age claimants’ did not really exist in the UK until relatively recently.

with older children. The scheme is now a fairly residual one made up mainly of lone parents with young children and people caring for persons with disabilities or older people. The reforms have been relatively successful in moving lone parents into employment and in reducing inflows from people with more minor incapacities. However, it has proved more challenging to move people with serious incapacities into stable employment.

## Summary of key findings

### Overview

In this report we have looked at the main social assistance schemes in the Netherlands, Sweden and the UK. As we have seen, there are differences between the three in several areas. Both the Netherlands and Sweden have national schemes which are administered by local municipalities while the UK has a national scheme administered by a national agency (DWP) through its local offices. There are also differences between the two locally administered schemes with the Netherlands having a more centrally driven scheme with municipalities being provided with financial incentives to achieve set objectives whereas the Swedish municipalities operate more autonomously (albeit within the framework of the national law).

The Swedish is a broad scheme covering most categories of claimants whereas the Dutch scheme focusses on those with work capacity. The UK scheme was originally broad like Sweden but has been narrowed down with the removal of unemployed, incapable and older claimants to other social assistance schemes and now covers lone parents and carers primarily.

We have outlined numbers of claimants on the different schemes but, due to the varying scope of the schemes, these figures cannot be easily compared in terms of which country has more or less social assistance claimants.<sup>16</sup> We have also reported some data on length of dependence on social assistance but the fact that the composition of the case-load is different in different countries means that this must be interpreted with some caution.

### Integration of social assistance schemes and policies

In general, we have seen that in the three countries, the social assistance schemes act as a residual or 'safety-net' scheme for those who do not qualify for the main insurance-based social security schemes. The countries mainly address the issue of integration with other social security schemes in this manner. In addition, countries increasingly share data with other key social security agencies to ensure integrated administration of benefits through systems such as Suwinet (Netherlands) and SSBTEK (Sweden).

Co-ordination with employment services has been a priority in the Netherlands and the UK., In the UK, the government amalgamated the benefit and employment services into Jobcentre Plus to ensure better linkages and this has had a positive effect on the labour market (Riley et al., 2011). In

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<sup>16</sup> Even if one could count the numbers on, for example, unemployed and incapacity social assistance schemes, the scope of social assistance in the three countries depends on the scope of the national social insurance schemes which varies over time and from country to country. For example, one of the first reforms in the UK was to reduce the scope of unemployment insurance thereby increasing the number of people on social assistance benefits.

the Netherlands, there is co-ordination between municipalities who administer social assistance and employment services (including a jobseekers centre). These are good examples of what can be achieved through better co-ordination between social assistance and employment services. However, it is important to note that these have been long-term projects over several decades with the investment of significant resources and in a context where services were either managed directly from the national level or where the national government provided financial incentives for the municipalities to achieve employment objectives. In contrast, Thorén (2008) shows how overall objectives can easily be undermined by street-level practices in a context where there is no clear line management or incentives to achieve the national-level objectives.

Co-ordination with social services is less well-structured in all three countries, although it is reported that in the Netherlands municipalities have developed co-ordinated working mechanisms.

## **Classification of beneficiaries and methodologies to assess eligibility**

As we have seen, decision on entitlement to social assistance are made by staff of the administering agencies in the three countries based on detailed guidelines prepared by the national Ministries.

In EU countries, there are a wide range of different approaches to means-testing (i.e. assessment of means) (MISSOC, 2011; 2013). However, in general the following income is taken into account:

- Rights/actions concerning property including personal property (moveable assets, capital, etc.)
- Income and (other) benefits (earnings from work, legal support from spouse; other social protection benefits, etc.).<sup>17</sup>

In general, the approach to means testing is set out in Laws and Regulations and detailed guidelines are often provided for implementing agencies on the approach which they should take. For example, in the United Kingdom, the Department of Work and Pensions has developed very detailed ‘Decision Makers Guides’ to explain the law to the staff responsible for implementation of the minimum income payment.<sup>18</sup> Experience shows that it is important that there be clear rules and standardised procedures as to *what* income and assets are taken into account. There also need to be clear rules for the implementing agencies as to *how* these bodies should assess income to ensure that this is done in a standardised and thorough format. Increasingly, as we have discussed, agencies use data sharing through IT systems to control and check means-testing.

## **Benefit bundling, benefit traps and incentives to work**

Issues concerning the links to work are important in all three countries. In the Netherlands and Sweden, entitlement to social assistance does not act as a passport to other benefits (although this does not mean that claimants do not receive other benefits).

Countries have adopted different policies in terms of the appropriate level of benefits but it would seem that one of the main ways of overcoming benefit traps and disincentives has been through a

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<sup>17</sup> Further details on the three countries are set out in Annex 2.

<sup>18</sup> <https://www.gov.uk/government/collections/decision-makers-guide-staff-guide>

focus on active labour market policies. The UK, however, has adopted an ambitious reform of all working-age social assistance benefits (universal credit) which is intended to address the issue of benefit traps and disincentives in a more comprehensive manner.

## **The role of central and local government**

In the Netherlands and Sweden, the social assistance scheme is national but is administered locally. In the UK, it is a national scheme which is administered by the local offices of a national agency. In the UK, funding is also national. In Sweden, funding is provided by the municipalities (mainly from local taxation) as part of an overall scheme of local government finance which involves support from central government. In the Netherlands, in contrast, funding is provided mainly by the national government but in a manner which provides an incentive to the municipalities to get claimants of social assistance back to work and to reduce claim-loads.

It is interesting to note that the USA has also adopted reforms of its social assistance scheme (TANF) to provide greater incentives to states which administer the benefit to get claimants into employment and to reduce case-loads (see Annex 1).

## **Integration and coordination of funds**

In general, the funding of social assistance in the three countries appears to be more straightforward than in China. In the UK, it is part of the national budget and is subject to the general rules and controls of the national budget. In Sweden, funding for social assistance forms part of the municipality budget and is again subject to the relevant rules and controls which appear to work reasonably well. In the Netherlands, municipalities must provide detailed data to the relevant Ministry in order to secure funding for the coming year. At the national level, the Ministry funding again forms part of the national budget. Thus, funding is reasonably transparent and subject to control by the relevant audit bodies.

## **Information platforms**

Social assistance agencies in EU countries increasingly recognise the need to share data with other data holders with information on income and assets, e.g. property data, car registration, pensions and social insurance database, tax, life events (death), etc. This allows the authorities implementing the social assistance payment to co-ordinate with the information on income and assets in other official databases and to ensure that the information provided is accurate. It also allows the authorities to co-ordinate with databases of life events (e.g. births, deaths and marriages) to ensure, for example, that once a person is registered as dead, payments in respect of that person are terminated.

In the report, we have set out illustrations of how, for example, the Netherlands and Sweden are developing information platforms to ensure exchange of data between all the relevant bodies to improve administration of social assistance and reduce fraud and error.

## **Main challenges of the current policies, trends and future perspectives for reform**

The challenges faced vary from country to country. In the UK the main current challenge is the implementation of the new universal credit system which will replace the existing range of social assistance benefits to working age claimants.

In the Netherlands, the main focus is on the further implementation of the Participation Act including ensuring that all stakeholders work together more effectively to address the challenges identified by the SZW Inspectorate (2016b). Ensuring that claimants who are further from the labour force can also benefit from the reforms is also likely to be a key challenge.

Finally, the challenges facing Sweden include how to find ways to cope with the rising trend towards longer durations on social assistance and to help recipients find work. Sweden is also working towards rolling out its information platform to all municipalities.

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## **Annex 1: Social assistance in the USA**

It is perhaps interesting to compare with the situation in the USA (population 320 million). The USA is a federal system and responsibility for social protection policies is shared between the federal government and the state level. In some cases, (such as old age pension and disability insurance), the systems are almost entirely federal. The laws setting out all the details of these schemes are adopted by the federal government and funding is provided by federal taxes (although there is some element of state involvement in administration of schemes). In other areas (such as workers' compensation, i.e. benefits for injuries at work), the responsibility is entirely at state level. The laws in relation to workers compensation are adopted at state level and the schemes are funded by the states.<sup>19</sup> However, there are also a number of interesting examples of federal-state co-operation in the field of social protection, including social assistance (TANF).

Temporary Assistance for Needy Families (TANF) is a program that provides cash assistance and supportive services to assist families with children (Falk, 2014). It is a form of minimum social assistance like dibao. Federal law sets out the objectives of the system and imposes certain requirements on the states which wish to participate. In theory TANF participation is voluntary though in practice all states do participate.

TANF funds must be used for families in financial need and who have a qualified child. Federal law also applies 'work requirements' so that states must ensure that 50% of all families and 90% of two-parent families must be 'engaged in work'. TANF also has a time limitation and funds cannot be used to provide assistance to a family for more than 60 months (subject to some exceptions). Otherwise states are free to set eligibility rules and to set the appropriate amount of benefit which varies greatly from one state to another (see below).

TANF is co-funded by the federal government and the states. A major reform of the US social assistance scheme took place in 1996. This included introducing stricter conditions for entitlement to assistance; allowing states greater discretion in relation to the rules of the social assistance scheme and providing a financial incentive to states, through the funding mechanism, to reduce the number of claimants for social assistance. The funding was changed from a matching grant system to a fixed block grant. Overall, the reform led to a significant fall in the level of social assistance (Moffitt, 2008; Danziger, 2010). However, there is very limited evidence as to the role played by the different components of the reform, e.g. there do not appear to be any studies which have isolated the impact of creating financial incentives for the States to reduce welfare claims.

Federal funding is now provided by way of block grants and States are also required to contribute a certain amount. (see Falk, 2016) . In the case of non-compliance by the states with the federal rules, a certain amount of the block grant may be withheld. The block grant is composed of (i) the 'basic' block grant (which is based on peak expenditure in the pre-reform period but not adjusted for inflation) and (ii) a contingency (recession-related) fund. To draw upon contingency funds, a state must both (1) meet a test of economic "need" and (2) spend from its own funds more than what the state spent pre-reform on the previous social assistance program. For purposes of the TANF

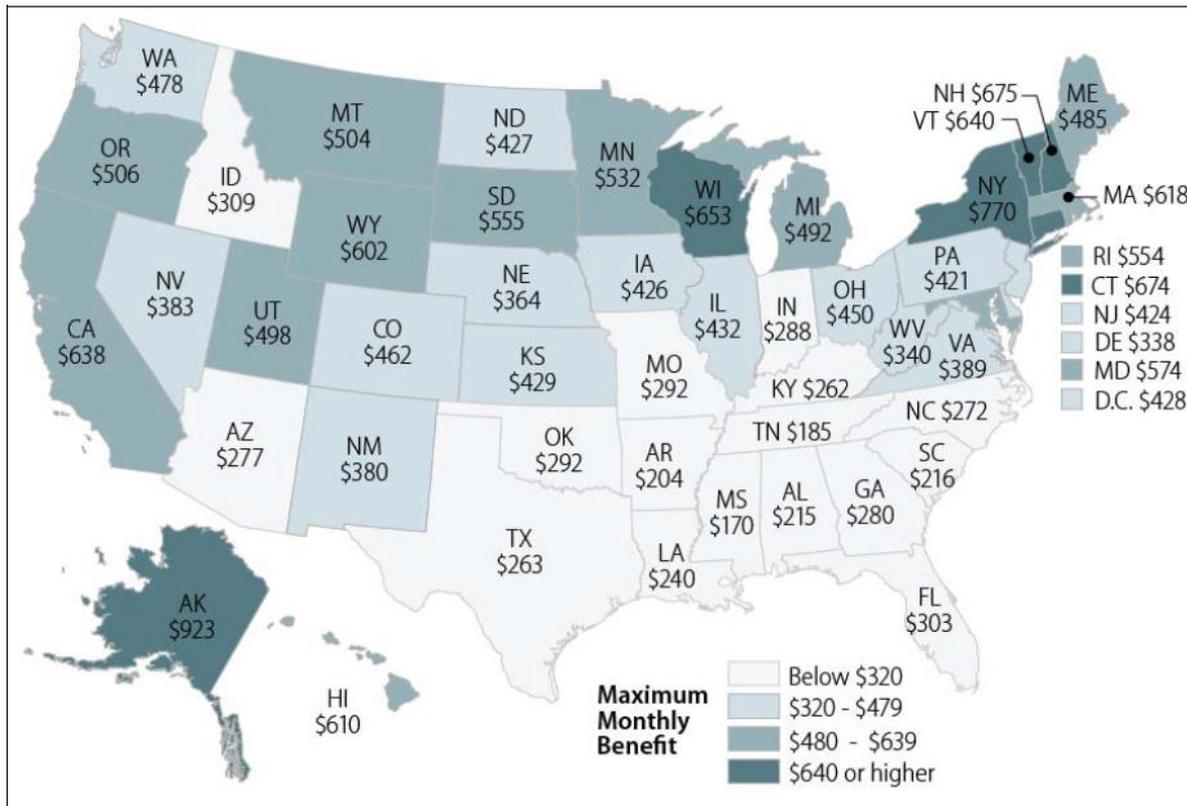
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<sup>19</sup> This is largely for historic reasons as the schemes of workers compensation were established before the establishment of a national social security system in 1935.

contingency fund, a state meets the “economic need” test if it has high unemployment or if there is a 10% increase in the claims for ‘food stamps’.<sup>20</sup>

States are required to pay at least 75% of what they contributed before the reform and if they fail to pay this amount there is a reduction in a state’s subsequent year’s block grant by \$1 for each \$1 shortfall from the required spending level.

**TANF Maximum Monthly Benefits for a Single Parent Caring for Two Children, by State, July 2012**



<sup>20</sup> This is a federally-funded program that provides monthly benefits to low-income households to help pay for the cost of food.

Annex 2: Further details of qualification conditions for national schemes (2016)<sup>21</sup>

Sweden	The Netherlands	United Kingdom
<p><b>Applicable statutory basis.</b></p>		
<p><b>Sweden</b></p> <p>Social Services Act (Socialtjänstlagen (2001:453)) of 2001.</p>	<p><b>The Netherlands</b></p> <p>Participation Act (Participatiewet).</p>	<p><b>United Kingdom</b></p> <p>Social Security Contributions and Benefits Act, 1992.</p> <p>Social Security Administration Act 1992.</p> <p>Welfare Reform Act, 2013.</p>
<p><b>Basic principles.</b></p>		
<p><b>Sweden</b></p> <p>Social assistance is a form of last resort assistance. The assistance is given when a person (or a family) is temporarily (for a shorter or longer period) without sufficient means to meet the necessary costs of living. Entitlement is given to</p>	<p><b>The Netherlands</b></p> <p>To provide financial assistance to every citizen resident in the Netherlands who cannot provide for the necessary costs of supporting himself or his family, or cannot do so adequately, or who is threatened with such a situation.</p>	<p><b>United Kingdom</b></p> <p>Income Support: is administered and paid centrally. It is granted on the basis of a subjective right.</p> <p>It is a means-tested, tax-financed scheme providing financial</p>

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Source: [MISSOC database: http://www.missoc.org/MISSOC/INFORMATIONBASE/COMPARATIVETABLES/MISSOCDATABASE/comparativeTableSearch.jsp](http://www.missoc.org/MISSOC/INFORMATIONBASE/COMPARATIVETABLES/MISSOCDATABASE/comparativeTableSearch.jsp)

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<p>everyone assessed as in need of the support. The amount depends on the person's needs. Social assistance is organised locally.</p>	<p>The Act provides financial resources to meet their necessary costs of living. National norms have been established. In addition, local municipalities can provide other allowances (Special assistance (bijzondere bijstand)). Entitlement is not based on a subjective right.</p>	<p>help for people who are not in full-time work (16 hours or more a week for the claimant, 24 hours or more for claimant's partner), who are not required to register as unemployed and whose income from all sources is below a set minimum level.</p>
<p><b>Entitled persons / beneficiaries.</b></p>		
<p><b>Sweden</b></p> <p>In principle individual right. The situation of the household (married or unmarried couples with minor children) is considered as a whole.</p>	<p><b>The Netherlands</b></p> <p>All persons legally residing in the Netherlands with inadequate financial resources to meet their essential living costs.</p> <p>In principle an individual right; households (married or unmarried couples irrespective of sex): assistance applied for and received by one of the partners as a family assistance; upon request half of the amount of the assistance can be received by each of the partners.</p>	<p><b>United Kingdom</b></p> <p>Individual entitlement, with possibility of supplements for dependants.</p>
<p><b>Conditions.</b></p> <p>1. Nationality.</p>		
<p><b>Sweden</b></p> <p>No nationality requirements.</p>	<p><b>The Netherlands</b></p> <p>No nationality requirements.</p>	<p><b>United Kingdom</b></p> <p>No nationality requirements.</p>

2. Residence.		
<p><b>Sweden</b></p> <p>All persons with the right to stay in the country. No permanent residence required.</p>	<p><b>The Netherlands</b></p> <p>Legal residence.</p>	<p><b>United Kingdom</b></p> <p>Must be present in the country. Claimants who have lived outside the UK during the period of 2 years before the date of claim, must satisfy the habitual residence test.</p>
3. Age.		
<p><b>Sweden</b></p> <p>Assistance is given to the family as a whole, as long as parents are obliged to support their children. No other condition relating to age.</p>	<p><b>The Netherlands</b></p> <p>18 years and above.</p>	<p><b>United Kingdom</b></p> <p>Generally from 18 years of age to pension age if conditions of entitlement are satisfied.</p>
4. Means-related conditions. (real property).		
<p><b>Sweden</b></p> <p>As a general rule, all real property, regardless of the nature and the origin, is taken into account.</p> <p>Sale of assets may be required before social assistance is granted. For instance, under certain conditions, persons may have to sell their house and move to a less costly living. However, the main principle is that if the need of assistance is temporarily, the benefit can be paid out without sale of</p>	<p><b>The Netherlands</b></p> <p>If the capital is invested in a house, social assistance is provided as a loan, for which resources amounting up to €49,900 are left untouched</p>	<p><b>United Kingdom</b></p> <p>Property which the claimant owns and lives in is disregarded. Property which the claimant owns, but does not live in, is usually taken into account.</p> <p>For entitlement to Income Support, the total amount of capital (real property and movable assets) owned by the claimant and/or partner if any, must be below GBP 16,000 (€19,382). If amount over GBP 6,000 (€7,268), claimant</p>

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assets.		<p>treated as having a weekly income of GBP 1 (€1.21) for every GBP 250 (€303) or part thereof in excess of GBP 6,000 (€7,268).</p> <p>Deprivation rules exist in cases where property or assets are disposed off to gain entitlement to benefit. The Decision Maker has to show that the purpose of deprivation was to gain or increase entitlement to benefit. Relevant criteria might be the timing of disposal, mental capability when deprivation occurred and what the claimant understood about the effect of capital on his/her benefit.</p>
Personal property (movable assets).		
<p><b>Sweden</b></p> <p>As a general rule, all movable assets, regardless of the nature and the origin, are taken into account.</p> <p>Sale of assets (e.g. car, stocks) may be required before social assistance granted. See however below “Exemption of resources”.</p>	<p><b>The Netherlands</b></p> <p>All resources, regardless of their nature and origin. Capital left untouched: €11,840 for married people/cohabitants and lone parents and €5,920 for single persons.</p>	<p><b>United Kingdom</b></p> <p>Cash, savings, investments, stocks and shares are taken into account as specified above under real property</p>
Income and (other) benefits.		
<p><b>Sweden</b></p> <p>As a general rule, all income and benefits, whatever the nature and the origin, are taken into account.</p> <p>However, with a view to stimulating their labour market</p>	<p><b>The Netherlands</b></p> <p>All income is taken into account, but there are exceptions. For instance: for claimants aged 27 or older, 25% of income from work (up to a maximum of €199) is left untouched during the first six months of entitlement.</p>	<p><b>United Kingdom</b></p> <p>Most income resources, most social security benefits and pension are taken fully into account.</p>

<p>attachment, income below one Price base amount (prisbasbelopp) per year earned during vacation by young persons of school age, shall not be taken into account when assessing their need of social assistance.</p> <p>A person who has been granted social assistance for a period of six consecutive months is entitled to have 25% of his or her earnings from employment exempted when applying for social assistance. This calculation rule is valid for a period of two years thereafter.</p>	<p>Additionally lone parents aged 27 or older can earn up to another €124.20.</p>	
<p>Exhaustion of other claims.</p>		
<p><b>Sweden</b></p> <p>Social security benefits may be combined with social assistance.</p> <p>Social assistance is complementary to all other subsistence allowances and is provided as a last resort (safety net). It is granted if the income (including social security benefits) is not sufficient to meet the necessary costs of living. Income and benefits are deducted from the amount of social assistance.</p>	<p><b>The Netherlands</b></p> <p>Social assistance is supplementary to all other subsistence allowances and is provided as a last resort (safety net). If a person receives alimony, social benefits or income from work, then it is topped up to the relevant assistance level.</p>	<p><b>United Kingdom</b></p> <p>Claims to other benefits must be exhausted but if need still exists, Income Support can be paid to bring income up to a set limit. An interim payment may be made, pending the outcome of claims to other benefits.</p> <p>Separated/divorced parents with children must claim maintenance payments from their former partner, but the benefits above will, nevertheless, be paid if the need exists.</p>
<p>Exemption of resources.</p>		
<p><b>Sweden</b></p> <p>Certain items satisfying basic needs are exempted from the means test, such as clothing, television, mobile phone and</p>	<p><b>The Netherlands</b></p> <p>See above Means-related conditions”, (real property)”, “Personal property (movable assets)” and “Income and</p>	<p><b>United Kingdom</b></p> <p>In most cases the first GBP 5 (€6.06) of earnings from part-time work is ignored (GBP 10 (€12) in the case of couples,</p>

<p>ordinary housing equipment. In most cases the car has to be sold unless the car is necessary for maintaining the labour market attachment. These decisions depend on each individual situation.</p> <p>See also above “Income and (other) benefits”.</p>	<p>(other) benefits”.</p>	<p>and GBP 20 (€24) in the case of lone parents).</p> <p>The first GBP 20 (€24) of child maintenance payments are ignored (from 12 April 2010, the full amount of these payments will be ignored).</p> <p>See also above real property.</p>
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5. Requirements for job search, vocational training and behaviour modification.

<b>Sweden</b>	<b>The Netherlands</b>	<b>United Kingdom</b>
<p>Everybody is bound to support him- or herself first, and must try to get a job with a sufficient salary at all times, as long as he/she is able to work. There are many labour market measures that the recipient must participate in to receive the assistance. The recipients have also access to the public employment service.</p> <p>As from 1 July 2016, the above requirement was included in the Social Services Act (before then the requirement was from case law).</p> <p>In addition to these requirements, the social welfare office may require a person receiving social assistance to take part in work experience or other skill-enhancing activities organised by the municipality, provided it has not been possible to provide a suitable labour market policy programme for the individual.</p>	<p>People must do as much as possible to support themselves. Every recipient must try to get work, accept a suitable employment and be registered with the Institute for Employee Benefit Schemes (UWV) Work Company [Uitvoeringsinstituut Werknemersverzekeringen (UWV) Werkbedrijf]. The partners of unemployed people should, if possible, also look for work. Medical and social circumstances are taken into account. If a single parent is taking care of one or more children aged 5 or under, there is no obligation to apply for work. The parent is however obliged to attend training courses. If all attempts are unsuccessful, the social services will help to find work or training. If the claimant refuses to co-operate with an action plan or refuses to fulfill other obligations, the social services can impose sanctions (100% cut of benefit for at least 1 month and a maximum of 3 months).</p> <p>Training or premiums can be offered to encourage people far from the labour market to take up employment.</p> <p>In addition a claimant is obliged to perform community work (in his/her range of capability) assigned to him/her</p>	<p>.</p>

	<p>by the municipality (tegenprestatie).</p> <p>There is a waiting period of 4 weeks for persons younger than 27 years applying for a benefit. During this period the claimant is required to look for work. During these 4 weeks he/she will not receive social benefits.</p> <p>The benefit claim is refused if there are opportunities in the regular education system (Student Finance Act (Wet Studiefinanciering, Wsf)) for the claimant.</p> <p>People receiving social benefits are required to speak and understand Dutch. If they cannot demonstrate sufficient knowledge of Dutch, they are required to take a language test. If they fail and refuse to try learn the language, the benefit will be reduced by 20% for the first six months and, if necessary, by 40% for the next six months. If progress is still lacking after one year, the benefit will be suspended. (Wet Taaleis in de Participatiewet)</p>	
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**Cash benefits.**  
1. Determining factors. Level and sufficiency of actual resources.

<b>Sweden</b>	<b>The Netherlands</b>	<b>United Kingdom</b>
Lack of sufficient means to meet the necessary costs of living.	The level of assistance to meet essential needs is governed by national rules which are laid down in legislation. The standard rates are linked to the statutory minimum wage. They are specified for married couples/cohabitants, single parents and persons who reside with several other persons in a household.	Guaranteed minimum benefits are payable to people whose income from all sources is below a specified minimum level set by the Government. See below “2. Amounts”.

Domestic unit for calculation of benefits.

<p><b>Sweden</b></p> <p>Individual or, where applicable, the household.</p> <p>A household is a unit based on the nuclear family concept, i.e. only parents and children (grandparents and other persons living under the same roof are not taken into account).</p>	<p><b>The Netherlands</b></p> <p>The claimant, the partner and children under 18.</p>	<p><b>United Kingdom</b></p> <p>Income and resources of family (people living in the same household) are taken into account.</p>
<p>Impact of family composition.</p>		
<p><b>Sweden</b></p> <p>The amount of benefits depends on the family composition. See below “Amounts”.</p>	<p><b>The Netherlands</b></p> <p>Standard rates in % of the statutory minimum wage for:</p> <ul style="list-style-type: none"> <li>• married couples/cohabitants: 100%</li> <li>• single persons: 70%;</li> <li>• single parents: 50%.</li> <li>• Two persons household: 50%</li> <li>• Three persons household: 43,33%</li> <li>• Four persons household 40% etc</li> </ul>	<p><b>United Kingdom</b></p> <p>Amount payable depends on family circumstances.</p>
<p>2. Amounts.</p>		

<b>Sweden</b>	<b>The Netherlands</b>	<b>United Kingdom</b>
<p>Monthly maximum amounts (excluding other benefits such as family benefits) covering expenditures on food, clothing and footwear, play and leisure, disposable articles, health and hygiene, daily newspaper, telephone and television fee (in certain cases it is possible to deviate from these amounts):</p> <ul style="list-style-type: none"> <li>• Single person: SEK 2,950 (€313);</li> <li>• Couple: SEK 5,320 (€564);</li> <li>• Children: <ul style="list-style-type: none"> <li>○ 0 - 1 year: SEK 1,840 (€195);</li> <li>○ 1 - 2 years: SEK 2,080 (€221);</li> <li>○ 3 years: SEK 1,830 (€194);</li> <li>○ 4 - 6 years: SEK 2,080 (€221);</li> <li>○ 7 - 10 years: SEK 2,660 (€282);</li> <li>○ 11 - 14 years: SEK 3,090 (€328);</li> <li>○ 15 - 18 years: SEK 3,500 (€371);</li> <li>○ 19 - 20 years: SEK 3,530 (€374).</li> </ul> </li> </ul> <p>For common expenditures in the households a special amount is added depending on the size of the household (in certain cases it is possible to deviate from these amounts):</p> <ul style="list-style-type: none"> <li>• 1 person: SEK 940 (€100);</li> <li>• 2 persons: SEK 1,050 (€111);</li> <li>• 3 persons: SEK 1,320 (€140);</li> <li>• 4 persons: SEK 1,500 (€159);</li> <li>• 5 persons: SEK 1,720 (€182);</li> <li>• 6 persons: SEK 1,960 (€179);</li> <li>• 7 persons: SEK 2,130 (€226).</li> </ul>	<p>Monthly net standard rates (excluding family benefits) for persons aged 21 to the legal retirement age:</p> <ul style="list-style-type: none"> <li>• Married couples/cohabitants with or without children: €1,395.95</li> <li>• Lone parents and single persons: €977.15</li> <li>• People in two persons household €699.97</li> <li>• People in three persons household €604.86.</li> <li>• People in four persons household €558.37</li> </ul> <p>In addition, a holiday allowance is paid of 5% of these rates.</p> <p>Lower rates for single persons aged 18, 19 or 20.</p>	<p>The threshold "Applicable Amount" with which income is compared is the sum of personal allowances and premiums appropriate to the family, plus certain housing costs (not rent). A residential allowance is added for certain people in care homes.</p> <p>Personal Allowances (weekly amounts):</p> <ul style="list-style-type: none"> <li>• Single aged 25 or over: GBP 73.10 (€89);</li> <li>• Lone parent 18 or over: GBP 73.10 (€89);</li> <li>• Couple both 18 or over: GBP 114.85 (€139);</li> <li>• Dependent child: age under 18: GBP 66.90 (€81).</li> </ul> <p>Premiums (weekly amounts):</p> <ul style="list-style-type: none"> <li>• Family: GBP 17.45 (€21);</li> <li>• Pensioners (rate applies for all): Couple: GBP 116 (€141);</li> <li>• Disability: <ul style="list-style-type: none"> <li>○ Single: GBP 32.25 (€39);</li> <li>○ Couple: GBP 45.95 (€56);</li> </ul> </li> <li>• Severe disability (single): GBP 61.85 (€75);</li> <li>• Severe disability, couple (one/both qualify): <ul style="list-style-type: none"> <li>○ One qualifies: GBP 61.85 (€75);</li> <li>○ Both qualify: GBP 123.70 (€150) – higher rate;</li> </ul> </li> <li>• Enhanced disability premium: <ul style="list-style-type: none"> <li>○ Single: GBP 15.55 (€19);</li> </ul> </li> </ul>

<p>Case examples:</p> <ul style="list-style-type: none"> <li>• Single person: SEK 3,890 (€412);</li> <li>• Couple without children: SEK 6,370 (€675);</li> <li>• Couple with 1 child (10 years): SEK 9,300 (€986);</li> <li>• Couple with 2 children (8, 12 years): SEK 12,570 (€1,333);</li> <li>• Couple with 3 children (8/10/12 years): SEK 15,450 (€1,638);</li> <li>• Single parent, 1 child (10 years): SEK 6,660 (€706);</li> <li>• Single parent, 2 children (8, 10 years): SEK 9,590 (€1,017).</li> </ul> <p>On top of the above amounts, support can also be provided for reasonable expenditures on housing, domestic electricity supply, journeys to and from work, household insurance, and membership of a trade union and an unemployment insurance fund.</p>		<ul style="list-style-type: none"> <li>○ Couple: GBP 22.35 (€27);</li> <li>• Disabled child: GBP 59.50 (€72);</li> <li>• Enhanced disability premium per qualifying child: GBP 24.43 (€30);</li> <li>• Carer: GBP 34.60 (€42).</li> </ul>
<p>3. Duration and time limits.</p>		
<p><b>Sweden</b></p> <p>No time limits.</p>	<p><b>The Netherlands</b></p> <p>No specific limits.</p>	<p><b>United Kingdom</b></p> <p>Unlimited duration, as long as the entitlement conditions are satisfied.</p>
<p>4. Indexation.</p>		

<p><b>Sweden</b></p> <p>For the amounts mentioned above (see “2. Amounts”), the Government decides on the amount based on calculations from the Swedish Consumer Agency (Konsumentverket) and on the consumer price index.</p> <p>For other expenditures; the municipalities pay the actual cost provided it is reasonable.</p>	<p><b>The Netherlands</b></p> <p>The standard rates are linked to the statutory minimum wage; they are indexed two times per year.</p>	<p><b>United Kingdom</b></p> <p>Adjustment normally once a year with reference to movements in prices .</p>
<p><b>Housing and heating allowances.</b></p>		
<p><b>Sweden</b></p> <p>Costs for adequate housing are covered.</p>	<p><b>The Netherlands</b></p> <p>Rent allowance (Huurtoeslag):</p> <p>Whether a household or person is eligible for a rent allowance depends on their rent, income, assets, household type and age.</p> <p>In particular, rent should not exceed:</p> <ul style="list-style-type: none"> <li>• €710.68 per month for persons aged 23 or over;</li> <li>• €409.92 per month for persons under 23 years of age.</li> </ul> <p>Moreover, taxable income should not exceed:</p> <ul style="list-style-type: none"> <li>• €22.100 for a single person aged below or above the legal retirement age;</li> <li>• €30,050 for a household whose highest earner is aged below the legal retirement age;</li> </ul>	<p><b>United Kingdom</b></p> <p>Housing Benefit:</p> <p>Means-tested, tax-financed social assistance scheme to help people in and out of work who are on a low income and who need help to meet their rent liability. Benefit paid through local authority (municipality).</p> <p>Winter Fuel Payment:</p> <p>An annual lump sum payment to people over the women’s state pension age to help with their winter fuel bills. GBP 200 (€242) for those up to age 79, or up to GBP 300 (€363) if aged 80 or over.</p> <p>Cold Weather Payment:</p> <p>GBP 25 (€30) paid automatically to people receiving specified means-tested benefits when the average temperature where the claimant lives is recorded as, or forecast to be, 0°C or</p>

	<ul style="list-style-type: none"> <li>• €30.000 for a household whose highest earner is aged above the legal retirement age.</li> </ul> <p>The rent allowance is based on current rent levels and taxable income. The underlying principle is that every household pays a part of the rent itself. This part is referred to as the “standard rent”. The standard rent is income-related and increases as the household taxable income becomes higher. The monthly standard rent for people with a minimum income equals:</p> <ul style="list-style-type: none"> <li>• €228.24 for households with two or more people aged above the legal retirement age;</li> <li>• €230.05 for a single person aged above the legal retirement age;</li> <li>• €231.87 for households with people under the legal retirement age.</li> </ul> <p>The rent allowance amounts to the difference between the actual rent and the standard rent. For rents up to €409.92 the full differential amount is paid. For higher rents, only part of the difference is covered.</p>	<p>below over seven consecutive days during the period from 1 November to 31 March.</p>
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**Assessment of claims.**

<p><b>Sweden</b></p> <p>The social welfare officer of the municipality evaluates the claim and makes a social investigation. The assessment is based on a financial investigation of the person’s assets and incomes. The social welfare officer also investigates how the</p>	<p><b>The Netherlands</b></p> <p>The Institute for Employee Benefit Schemes (UWV) Work Company [Uitvoeringsinstituut Werknemersverzekeringen (UWV) Werkbedrijf] receives the claim for social assistance. It transfers the claim in question to the</p>	<p><b>United Kingdom</b></p> <p>Benefits must be claimed on an official claim form as soon as a person thinks they have entitlement to the benefit. They must provide their national insurance number, proof of identity and certificates, documents and information relevant</p>
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<p>person can be self-supporting. The decision should be made within a “decent time frame”.</p>	<p>municipality responsible, which will evaluate whether there is a right to social assistance. The municipality has to decide within 8 weeks whether to grant the claim.</p>	<p>to their claim (the latter must be provided within one month of making the claim). Benefit entitlement decided by a trained decision maker based on applicable benefit law.</p>
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**Recovery of benefits.**

<p><b>Sweden</b></p> <p>Recovery is possible when assistance has been given prior to some expected income and when it is given as a loan in some other cases. Compulsory recovery in case of fraud and administrative error.</p> <p>Repayment may only be demanded from the person to whom payment was made.</p> <p>The beneficiary may be exempted from repayment if recovery would result in a continuing need.</p>	<p><b>The Netherlands</b></p> <p>Mandatory reclaim when benefit has been wrongly or unnecessarily granted, for instance when a person failed to report certain resources when applying for the allowance.</p> <p>The claimant and his or her partner are collectively responsible for the eventual repayment of any erroneously paid income-provision.</p> <p>In certain cases the amount can be recuperated from the maintenance-debtors. Allowance may also be recuperated from the estate of a deceased beneficiary.</p>	<p><b>United Kingdom</b></p> <p>Benefit is reclaimed if claimant has misrepresented their circumstances, or withheld information, resulting in an overpayment of benefit. Recovery is undertaken in almost all cases resulting from customer error where it is cost effective to do so. There a very small number of exceptions where the right to recover is waived if it is considered that it would detrimental to the health and welfare of the debtor or their immediate family. A specialist decision maker decides whether the overpayment is recoverable under social security legislation (the test is largely whether the overpayment arose due to an error by the claimant). There is no prescribed time scale but the target is to make a decision on recovery within four weeks of the overpayment being identified.</p> <p>Generally, no reclaim if overpayment results from an official error by administering authority.</p> <p>In the vast majority of cases any recoverable overpayment is recovered from the benefit claimant. However in certain circumstances the overpayment may be recovered from an appointee acting on behalf of the claimant or a partner.</p>
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## Annex 3: Universal Credit

Universal credit (UC) is a major reform of the UK social security system involving an integration of in-work and out-of-work (means-tested) benefits for those of working age.<sup>22</sup> It has been described as the most radical reform of the UK benefit system in 25 years. UC will replace means-tested jobseeker's allowance (JSA) and employment and support allowance (ESA); income support; working tax credit (for people on low incomes in work) and child tax credit; and housing benefit.

### Rationale

The rationale for the reform is set out in the *ex-ante* impact assessment of the UC published by the UK government (DWP, 2012). This states

Welfare dependency has become a significant problem in Britain with a huge social and economic cost. There are two fundamental problems with the current welfare system: poor work incentives and complexity.

The assessment identifies a number of specific issues:

- For people reliant on benefits, the incentives to move into work or to increase earnings once in work can be very low.
- The incentives to increase hours once in work are also very weak.
- The current system is a complex array of benefits which interact in complicated ways, creating perverse incentives and penalties, confusion and administrative cost.
- This has the effect of preventing many from seeing work as the best route out of poverty.
- It also increases the risk of error and the opportunities for fraud.

The UC reform aims to restructure the benefit system, to create one single income-replacement benefit for working-age adults which will unify the current schemes of means-tested out-of-work benefits, tax credits and support for housing.<sup>23</sup> It aims to improve work incentives by allowing individuals to keep more of their income as they move into work, and by introducing a smoother and more transparent reduction of benefits when they increase their earnings. It will reduce the number of benefits and the number of agencies that people have to interact with and, thereby, aims to smooth the transition into work so that it will be easier for claimants to understand their entitlements and easier to administer the system, leaving less scope for fraud and error.

### Ex-ante evaluation

A detailed *ex-ante* evaluation of the impact has been carried out (DWP, 2012).<sup>24</sup> Universal Credit will resemble a negative income tax administered at the family level. Each person who claims UC will be entitled to a personal amount (broadly in line with existing welfare levels) with additional amounts for children. Persons with disabilities will also receive an increased amount. Persons in rented accommodation will receive an additional amount to reflect their housing costs. Net earned

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<sup>22</sup> It does not affect insurance-based payments.

<sup>23</sup> Although council tax support will not be included and responsibility for this has been localised.

<sup>24</sup> See also Brewer et al. (2011).

income will be subject to a taper rate of 65 percent and there will be an earnings disregard that depends on family circumstances.

It is estimated that net transfer payments from the Government to households will be around €0.36 billion higher once UC is fully implemented and transitional protection has been exhausted. This results from an increase in cost to the Exchequer due to entitlement changes and increased take-up, and offsetting savings due to reduced error and overpayments. It is estimated that around 3.1 million households will have higher entitlement as a result of UC while approximately 2.8 million households will have lower entitlement than they otherwise would have done, although transitional protection will ensure that there will be no immediate cash losses for any households that are actively moved to UC from legacy benefits or tax credits. About 2.4 million will receive the same level of benefit. It is estimated that the greater simplicity of UC will lead to a substantial increase in take-up.

Couples with children see the biggest increase in cash terms. Lone parents and single persons receive smaller cash increases, though singles receive the higher percentage gain. Couples without children, in the long-term, see a small reduction in their entitlement both in cash and percentage terms. However, these headline figures hide more complex movements. Brewer et al. (2011, 40-41) show that

families with children are much more likely to be affected than those without, both positively and negatively; and single-adult families are more likely to be affected than couple families, both with and without children.<sup>25</sup>

Redistributional analysis shows that the main beneficiaries will be in the bottom three deciles on the income distribution (i.e. the poorest 30%), whereas the main losers are in deciles six and seven (those in the upper deciles receive little in any case). Therefore the overall effect is to target support better at low income deciles.

The reform aims to make it more worthwhile for people to take up employment by increasing the proportion of earnings which people keep when they move into work and to progress up the labour market by reducing effective marginal tax rates (EMTRs).<sup>26</sup> In general, the marginal tax rate on taking up employment will fall under UC. However, second earners will face higher marginal tax rates on taking up employment than first earners under UC because the work allowance will be exhausted by the earnings of the main earner and a couple with two earners who have a higher income will lose slightly more in terms of state support. In general high EMTRs will fall with UC but more earners (both first earners and second earners) will see their EMTRs rise rather than fall (albeit by 'comparatively small' amounts).

The evaluation concedes that it is very difficult to estimate the dynamic impacts of UC due to the radical nature of the reform and that estimated employment impacts should be treated with caution. However, it suggests that UC will result in a net reduction in the number of workless people by 100,000 to 300,000. In addition it is estimated that people already employed will increase their hours by a total of 1 to 2.5 million hours per week.

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<sup>25</sup> It is estimated that lone parents will be the most affected group: about 610,000 lone parents (33 percent) will benefit from the introduction of Universal Credit, and, in the long run, around 370,000 (20 percent) will lose, and about 670,000 (36 percent) will not be affected

<sup>26</sup> The effective marginal tax rate (EMTR) is the combined effect on a person's earnings of [income tax](#) and the withdrawal of [means testing](#) of [state](#) welfare benefits. The EMTR is the percentage of an extra unit of income that the recipient loses due to income taxes, payroll taxes, and any decline in tax credits and welfare entitlements.

## Impact on work disincentives

As we have seen, one of the main arguments in support of universal credit has been to improve incentives to work. However, debate about financial incentives has been and continues to be somewhat controversial. First, although, the UK government has argued that the current system gives rise to poor work incentives, interpretation of the evidence is by no means straightforward. Data, based on ‘static’ micro-simulation analysis, shows that (in 2009) about 37 per cent of non-workers faced replacement rates (RRs) of 70 per cent or more (Adam and Browne, 2010, table 2.5).<sup>27</sup> However, only 5 per cent of non-workers had a replacement rate of 90 per cent or more and almost no-one exceeded 100 per cent. In addition, RRs varied significantly by family type with those in couples (especially where the partner works) much more likely to have higher RRs. Second, even if one accepts the UK government’s interpretation of the data, research indicates that although changes to be introduced over the lifetime of the current government (2010-15) are estimated to reduce the mean RR by 3.4 percentage points, only 0.7 percentage points are due to the introduction of universal credit, despite the radical nature and large scale of the reform (Adam and Browne, 2013). In fact the research found that benefit changes other than universal credit (mainly cuts in entitlement) would be responsible for the bulk of the reduction in the mean RR.

## Implementation

UC was initially introduced from April 2013 in areas of the North West of England, known as Pathfinder sites, for single, unemployed, claimants without any children. It was planned to go into effect nationally from October 2013. However, the roll-out has been delayed for various reasons (including the complexity of the changes and the need for extensive IT development) and it is currently being phased in with full implementation planned for 2022.<sup>28</sup>

The National Audit Office (2013) stated that the implementation of UC ‘had been beset by weak management, ineffective control and poor governance’. The Parliamentary Work and Pensions Committee has recently raised a number of ‘serious concerns’ about how Universal Credit is operating in practice, including delays in waiting for initial payments.<sup>29</sup>

There has been considerable debate about the detail of the new scheme and various changes of detail were introduced in 2016 (see Keen and Kennedy, 2016). These would have some impact on the original distributional analysis and costs described above.

Adam, S. and J. Browne (2010) *Redistribution, Work Incentives and Thirty Years of UK Tax and Benefit Reform*, Institute for Fiscal Studies Working Paper 10/24.

Adam, S. and J. Browne, (2013) *Do the UK government’s welfare reforms make work pay?* Institute for Fiscal Studies Working Paper W13/26.

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<sup>27</sup> Interestingly, the study found that ‘[t]he incentive to work at all was little different on average in 2009 compared to 1978’ at p. 46. See Brewer et al. (2013) who argue for a ‘life-cycle’ approach to incentive analysis and find that individuals experience considerable variability in work incentives across life that outweighs the variability across individuals.

<sup>28</sup> See <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/work-and-pensions-committee/universal-credit-update/oral/46960.html>

<sup>29</sup> <http://www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/news-parliament-2015/universal-credit-comment-16-17/>

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Brewer, M, M. Costa Dias and J. Shaw, (2013) *How taxes and welfare distort work incentives: static, lifecycle and dynamic perspectives*, Institute for Fiscal Studies Working Paper W13/01.

Department for Work and Pensions (2012) *Impact Assessment: Universal Credit*. Department for Work and Pensions.

Keen, R. and S. Kennedy (2016), *Universal Credit changes from April 2016*, House of Commons Briefing papers CBP-7446

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## Social Assistance in the Czech Republic

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## 1. Document Scope

This paper covers the social assistance benefit schemes in the Czech Republic, their administration and the cooperation between the organizations involved. Individual social benefit schemes are introduced with description of each major benefit and criteria for its granting. In this regard, the history of the Living Minimum and Existence Minimum has been described in detail to enable understanding the criteria used for assessment the eligibility and for the calculation of some benefits. A brief history of the social assistance benefits administration is also provided. The current responsible authority, i.e. the Labour Office of the Czech Republic, is covered in detail. Afterwards, the paper covers the linkage of social assistance benefit schemes with other schemes and the cooperation between the responsible administrative bodies.

## 2. Overall situation in the Czech Republic

The Czech Republic is a rather small country in the European context. Its population is 10.5 million in total. The population is rather homogeneous - there are no large minorities (the largest one is the Roma, estimated to count between 250,000 to 300,000 people). The territory is compact (the largest distance between two points is about 500 km) with no enclaves.

### 2.1 Administrative system of the Czech Republic

The administrative system consists of central government and local-government. There are two levels of local-government: municipalities (6,248 municipalities, of which 205 are so-called municipalities with broader competence which administer also some issues for smaller municipalities in their vicinity) and regions (14 regions including Prague). There is a tradition of a rather strong central government and limited powers of the local governments.

The Czech Republic makes no distinction between rural and urban areas. There are differences between the regions (for example, in GDP per capita, living standards or average income, Prague stands above all other regions, that are accounted for in social assistance housing-related benefits.

### 2.2 Social Protection

Social protection has a long tradition, going back before World War Two. However, after 1989, social protection had to be put on a completely different footing in line with the change from a planned to a market economy. Various systems were set in from early to mid-1990s. Non-contributory schemes underwent a major reform in 2006 (Assistance in Material Need Act, Social Services Act, Act on Living and Existence Minimum) and significant changes were made in 2011-2013 ( regarding benefits for the persons with disabilities and foster care benefits).

In the state budget, social expenditure amounts to 44.8 % of the total expenditure (CZK 581.2 billion out of CZK 1,297.3 billion). Please note that the state budget includes contributory and non-contributory social benefits, unemployment benefits, social services, the related administrative costs. However, public health care insurance is not a part of the state budget.

## 2.3 Poverty Level

In the Czech Republic the percentage of people at risk of poverty (the threshold is 60 % of median equalized income, corresponding to CZK 9,901 per month for a single person in 2015) is low and the related expenditure is below the EU27 average.

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Poverty-at-risk rate (%)	10.4	9.9	9.6	9.0	8.6	9.0	9.8	9.6	8.6	9.7	9.7
Social expenditure (% of GDP)	18.0	17.6	17.7	17.9	20.1	20.1	20.1	20.4	20.2	19.7	NA
EU27 poverty-at-risk rate	16.4	16.5	16.5	16.6	16.4	16.5	16.8	16.8	16.7	16.8	16.8
EU27 Social Expenditure	26.1	25.7	25.3	26.0	28.7	28.6	28.3	28.7	28.9	28.9	NA

Data source: Eurostat, EU-SILC Survey.

Social transfers play significant role in elevating people above the poverty line. Without the social transfers, the-risk of poverty rate would have been 37.0 % in 2015 (EU 27 – 44.6 %).

In a long-term perspective, the danger of poverty is most acute for the unemployed (47.8 % of them were under the poverty line in 2015), single parent families (35.9%) and families with three or more children (24.0 %).

The changes in the relevant legislation and the concentration of the administration of all non-contributory benefits under the Labour Office of the Czech Republic (in 2012) had small impact on the indicator. This indicator as well as the expenditure were influenced mostly by economic development (impacts of the financial crisis of 2008 resulting in GDP contraction and rise in unemployment).

### 3. Overview of the Non-Contributory Social Benefit Schemes

There are four non-contributory social benefit schemes:

- State Social Support;
- Assistance in Material Need;
- Benefits to persons with disabilities and
- Care Allowance.

A special scheme is also in place for foster parents.

The first three schemes (especially the State Social Support scheme) were designed to provide income support or income in defined social situations or to cover specific costs (Care Allowance and Benefits for Persons with Disabilities). The Assistance in Material Need scheme is the last safety net scheme.

Benefits in cash (to which all the benefits from the schemes listed above belong) are fully financed from the state budget. With the exception of one benefits (the Grant for Special Aid), there is no personal contribution from the covered persons. Benefits in kind have several sources of funding, including the state budget.

Form of payment: cash transfer to a bank account, postal order or vouchers.

There are also benefits in kind outside the mentioned schemes - they include social services, social work and social housing. These are being provided mostly by municipalities and regional authorities or by non-governmental sector.

#### 3.1. State Social Support

The scheme dates back to 1990s and is based on the Act No. 117/1995 on State Social Support, as amended. Its benefits are mostly family-oriented (term “family benefits” is also used within the general public).

The State Social Support scheme is based on the rule that a benefit is awarded in certain defined social situation (such as childbirth). it must be granted, if the conditions are met and the relevant person applies for the benefit .

##### 3.1.1. Entitlement to benefits

Persons – Czech citizens and foreigners. Foreigner have the right to the benefit if they and their family/household members assessed jointly reside in the Czech Republic. For non-EU foreign nationals, the registration as permanently resident in the Czech Republic is considered to be effective after 365 days since the date they registered to stay in the Czech Republic. This does not

include any period during which a person is seeking asylum. In the scope of persons covered, there are also EU nationals who are subject to directly applicable legislation of the EU.

Each benefit has also additional criteria for entitlements. Entitlement to the payment of benefits expires once three months have passed since the date to which the benefits apply. In the case of one-off benefits, an entitlement expires one year as of the date in which the benefit applies.

For the purposes of State Social Support a family consists of the parents and dependent children if they reside jointly and cover the costs of their needs in common.

### 3.2. Income test

Some benefits are income-tested. Means test is not made within State Social Support scheme. When income is being tested, the income threshold is set as a multiple of the Living Minimum.

In the income test, the income of the whole family/household in question is tested. That means that the amount of the living minimum is also being set for the household and not for an individual.

The following income is subject to income test after subtracting the costs for gaining and keeping it (i.e. social security contributions and taxes are not included in the decisive income):

- Taxable income from employment
- Income from entrepreneurship
- Income from capital property
- Income from renting of property
- Sickness insurance benefits
- Pension benefits
- Unemployment benefits
- Insurance benefits linked with attaining of set age (funded pension schemes)
- Alimony
- Some State Social Support benefits (depending on what benefit is being claimed)
- Allowance for Living (Assistance in Material Need benefit)
- Some other income

Income excluded from the income test:

- Income from the sale of immovable property
- Damage compensation and similar income (from property insurance etc.)
- Social assistance provided by the employer
- Support from foundations, NGOs etc.
- Scholarship
- Tax bonuses
- Supplement for Housing and Extraordinary Immediate Assistance benefits (Assistance in Material Need)

- Care Allowance
- Benefits for persons with disabilities

### 3.3. Overview of the State Social Support benefits

#### Income tested

- Child Allowance
- Housing Allowance
- Birth Grant

#### Universal

- Parental Allowance
- Funeral Grant

#### 3.3.1. Child Allowance

Child Allowance provided to families with dependent children if the family income is less than 2.4 times the family's Living Minimum (the Parliament has recently approved a bill raising the threshold to 2.7 multiple of the Living Minimum). This long-term recurrent benefit is aimed at helping the family to cover costs related to rearing and sustenance of dependent children. Within the income test, income for the previous calendar year is being tested (Parental Allowance is also taken into account as tested income).

The allowance is provided on three levels, depending on the age of the child:

Age of the dependent child	Monthly amount of the benefit, CZK
up to 6 years of age	500
from 6 to 15 years	610
from 15 to 26 years	700

The same family from the example above has an income threshold for child allowance of CZK 32,136 (13,390x2.4). If the income of that family falls below this line it is eligible for CZK 1,310 of child allowance (610 for the younger child and 700 for the older).

Families with children are also supported in the income tax system. One of the parents may claim a reduction of income tax for each dependent child (i.e. child under 18 years of age or below 26 years of age if the child is a student) living in the same household. The yearly amounts are CZK 13,404 for the first child, CZK 19,404 for the second child and CZK 24,204 for third and each additional child. The reduction may have the form of a tax abatement (monthly, resulting in increase of net wage) or tax bonus (once a year) or combination thereof (combination is used also in cases, when the tax abatement would be higher than due income tax). The tax bonus is limited to CZK 60,300 per year. The tax abatement may be claimed if at least one of the parents has taxable income.

### 3.3.2. Housing Allowance

The purpose of the benefit is to assist families or individuals covering living costs. It is provided to property owners or tenants registered as permanently resident in that property if housing costs are more than 30% (in Prague 35 %) of family income. The 30% (in Prague 35%) of family income must also be lower than the relevant prescriptive costs set by law.

The income from the preceding quarter is being assessed during the income test. In the case of Housing Allowance, all persons registered as permanently resident in the flat are jointly assessed and their income is being taken into account. It is not required that all the persons do permanently live there and share the costs. Child Allowance and Parental Allowance are considered income for the housing allowance income test.

The housing costs for the purpose of the entitlement assessment include rent and costs for any fulfilment related to the use of the flat (rental housing) or comparable costs in the cooperative housing. Regardless the ownership/tenancy form, energy, water, waste disposal and heating costs are also included. Costs from the preceding quarter are being used.

The amount of Housing Allowance is set as the difference between prescriptive housing costs and the relevant family income multiplied by a coefficient of 0.30 (in Prague 0.35).

The prescriptive housing costs are set as average housing costs based on the size of the municipality and the number of members of the household. They include a rent and similar costs for residents of cooperative flats and flat owners. They also include the cost of services and energy. Prescriptive housing costs are calculated on the basis of reasonable sizes of flats for the number of persons permanently residing in them. The prescriptive costs are being set for each year by a Regulation of the Ministry of Labour and Social Affairs. The current prescriptive housing costs (monthly amounts in CZK) for period 1<sup>st</sup> January – 31<sup>st</sup> December 2017 are:

#### **Rental housing:**

Number of persons	Prescriptive costs for based on the size of the town (number of inhabitants)				
	Prague	More than 100,000	50,000-99,999	10,000 – 49,999	Up to 9,999
1	7,720	6,114	5,822	4,950	4,763
2	11,004	8,806	8,407	7,213	6,957
3	14,896	12,022	11,500	9,839	9,604
4 and more	18,557	15,112	14,482	12,599	12,195

#### **Cooperative housing or living in one's own flat**

Number of persons	Prescriptive costs for based on the size of the town (number of inhabitants)

	Prague	More than 100,000	50,000- 99,999	10,000 – 49,999	Up to 9,999
1	4,357	4,357	4,357	4,357	4,357
2	6,429	6,429	6,429	6,429	6,429
3	8,880	8,880	8,880	8,880	8,880
4 and more	11,244	11,244	11,244	11,244	11,244

### 3.3.3. Birth Grant

This is a one-off benefit for low-income families to help them to cover cost related to the birth of their first and second child. Families are entitled to the grant provided the family income of the preceding quarter does not exceed 2.7 times the family's Living Minimum.<sup>30</sup> Parental Allowance and Child Allowance are not included in the income for the purpose of assessing the entitlement to the Birth Grant.

The birth grant amounts to 13,000 CZK for the first child and 10,000 CZK for the second child.

### 3.3.4. Parental Allowance

A parent who personally and duly cares for a child who is the youngest in the family is entitled to Parental Allowance. Parental Allowance is provided until the total amount of CZK 220,000 is drawn, maximum up to 4 years of child's age.

No income test is required for the Parental Allowance. However, the previous daily assessment base within Sickness Insurance scheme (which is based on income from work or other gainful activity) is used to set limits to monthly amount of the benefit. A parent may elect the amount of Parental Allowance (i.e. also the period of its drawing) if at least one parent in a family is a person participating in Sickness Insurance. The amount of parental allowance can be changed once in 3 months. The maximum monthly amount of Parental Allowance is limited to CZK 11,500 per month or even less depending on the previous income subject to Sickness Insurance.

In the case that the daily assessment base cannot be set for any parent, the Parental Allowance is paid at fixed monthly amounts of 7,600 CZK until the child reaches 10 months and after it at the amount of 3,800 CZK until the child is 48 months old.

The parent drawing the allowance may carry out an occupational activity (or draw unemployment benefits or participate in retraining) without losing his/her entitlement to the Parental Allowance. However, that parent must ensure that the child is in the care of another adult during the

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<sup>30</sup> For a first-born child in a family with both parents, the income threshold would be typically  $2.7 \times (\text{CZK } 3,140 + 2,830 + 1,740) = \text{CZK } 20,817$  (the new-born is also taken into account). For a second child, the threshold will be increased by 2.7 times the amount of living minimum for the first child (CZK 1,740 if the child is under 6, CZK 2,140 for a child of 6 to 14, CZK 2,450 for a child of 15 or older).

occupational activity. If the child is under 2 years of age, the parent loses the entitlement if the child attends a crèche or other facility for pre-school children for more than 46 hours in a month (this limit is higher if the parent or the child is disabled).

If another child is born in the family where one of the parents draws Parental Allowance, the entitlement to the allowance for the older child ceases to exist.

### **3.3.5. Funeral Grant**

The Funeral Grant is a one-off payment of 5,000 CZK to a person who has arranged for the funeral of a dependent child, or to a person who was the parent of a dependent child, on condition that the deceased was a permanent resident of the Czech Republic on the day of death. Income is not tested.

## **3.2. Assistance in Material Need**

This scheme was established on 1<sup>st</sup> January 2007 by Act No. 111/2006, on Assistance in Material Need. It is used to assist those with insufficient income. The system should also motivate them to actively strive to secure the resources they need to meet their living requirements. The guiding principle is that a person who works should have better living than a person who doesn't.

Assistance in Material Need, especially the Allowance for Living (see below), is closely linked with assessing the beneficiary's (or applicant's) activity aimed at overcoming his/her unfavourable income situation. It uses a system of bonuses (increases of the Amount of Living to which the income is supplemented by the Allowance for Living) and sanctions (using the Existence Minimum for the calculation of the Amount of Living or even rejecting the benefits as the person is not considered to be in material need due to her inactivity).

Social work with clients is an integral part of the system of assistance in material need. As social work is mainly done by the municipalities, they are involved in the Assistance in Material Need.

### **3.2.1. Person in material need**

A person in material need is a person or family that does not have sufficient income and their overall social and property relations prevent them from enjoying what the society accepts to be basic living requirements. At the same time, these persons are objectively unable to increase their income (through the due application of entitlement and claims or through the sale or other disposal of one's own assets), thereby improving their situation through their own actions. Those who do not try to improve their situation by own actions are not acknowledged as being in material need (and they are not eligible for the benefits). Persons not in material need are in particular persons:

- Who do not try to improve situation by their own actions;
- Who are not in employment or not registered as job seekers (exceptions: pensioners, persons older than 68 years, the disabled, temporary sick, children, carers);
- Job seekers refusing employment or participation in an Active Labour Market Policy program;
- Who are not entitled to sickness benefits due to his/her own fault;
- Parents sanctioned for truancy of child;
- Prisoners, persons in preventive detention.

Means (property, income) and efforts of all family members are assessed. As an incentive to work – only 70 % wages considered (80 % of unemployment and insurance benefits).

During the income assessment concerning the two recurrent assistance in material need benefits, due to recent (spring 2017) legislative change, the Labour Office assesses the income in the three months preceding the month during which the application was submitted. However, if there is a significant income loss of the applicant or a jointly assessed person (e.g. loss of income from employment or termination of unemployment benefit payment or termination of the drawing of the Parental Allowance), the decisive period starts with the month when the loss of income occurred (it must be two months before the month when the application is submitted or later).

### 3.2.2. Amount of Living

The Amount of Living is established on a case-by-case basis based on an evaluation of the person's income, efforts and opportunities. The Amount of Living for families/households is determined by the sum of the Amounts of Living of each family/household member. The Amount of Living is derived from the Living Minimum or the Existence Minimum (which is used to put a sanction on one's inactivity or other conduct stipulated in the Act on Assistance in Material Need).

If a person owes alimony and the debt is higher than three times the set monthly payment, the Amount of Living is equal to the Existence Minimum. The same applies to a person who is registered as a jobseeker (jobseekers' register is run by the Labour Office) and his/her employment relationship was terminated due to especially serious violation of regulations relating to the work performed or if any labour relation was terminated for such reason. Existence Minimum is also used as the Amount of Living for a person, who was being provided care in a healthcare facility for the whole calendar month.

For certain categories, the Living Minimum must not be used as the Amount of Living:

- Person with a third level of disability
- Person older than 68 years
- Dependent child
- Beneficiary of an old-age pension

### 3.2.2.1. Increases of the Amount of Living

The Act on Assistance in Material Need defines several situations when the Amount of Living is being increased. Those are mostly measures to motivate people to activity leading to increasing their income. A person active may have his/her Amount of Living increased. A person inactive or less active is not eligible to any of the increases or to none at all except the increase for a special diet - the Amount of Living of a person is increased if the person in question needs special diet according to the relevant specialist physician.

Person, who is a registered job seeker and who is evidently trying to increase his/her income by work, has the Amount of Living increased by 40 % of the difference between the Living Minimum and the Existence Minimum of the person. The same increase is for a person, who has income from a gainful activity.

Person, who is trying to increase his/her income through the use of property or who does not have property or has property which cannot be used to increase the income, is eligible to increase of the amount of living equal to 30 % of the difference between the Living Minimum and the Existence Minimum of the person. However, the property must be used within 3 months in which the person (or a jointly assessed person) is being paid a recurrent Assistance in Material Need benefit.

The same increase (30 % of the difference between the Living Minimum and the Existence Minimum of the person) can be claimed by a person who has no entitlements or financial claims or has evidently used all of them.

A jobseeker who has proved that seeking a job or performance of Public Work Service brings him increased costs, may have his/her Amount of Living increased by CZK 300 to cover the costs, especially costs related to transport, telephone or correspondence.

### 3.2.2.2. The Public Work Service

The Public Work Service is a tool of the Active Labour Market Policy aimed at activation of the long-term unemployed and at the preservation or strengthening of their working habits. Public Work Service is done for and organized by the municipalities, regional authorities or NGOs, schools, organizations of the churches and organization which cooperate with a municipality or regional authority on an activity that is in the public interest. The Public Works Service is aimed at improving the environment, cleaning of the streets and public spaces, assistance in cultural and sports development and social care. It could also take the form of administrative work.

An amendment to the Act on Assistance in Material Need effective since 1<sup>st</sup> August 2017 is introducing a rule, that a person who has been receiving the Allowance for Living for 6 months in a row and whose Amount of Living is calculated from the Living Minimum, has his/her Amount of

Living equal to the Existence Minimum unless he/she is in one of the groups for which the Living Minimum must be used or unless he/she:

- Performs the Public Work Service for at least 20 hours per month;
- Participates in activities organized by the Labour Office;
- Performs self-employment activity for 20 or more hours;
- Is entitled to unemployment benefits;
- Is a person with second level of disability.

If the beneficiary of the Allowance for Living carries out more than 30 hours of Public Work Service in a month, his Amount of Living is increased by 50 % of the difference between the Existence Minimum (CZK 2,200) and the Living Minimum of a single adult (CZK 3,410), i.e. by CZK 605.

### 3.2.3. Benefits

Benefits of Assistance in Material Need are:

- Allowance for Living
- Supplement for Housing
- Extraordinary Immediate Assistance

Only natural persons having their residence in the Czech Republic are entitled to Assistance in Material Need benefits. Residence means the centre of gravity of one's interests (employment, family, study etc.)

#### 3.2.3.1. Allowance for Living

This is the basic recurrent benefit covering cases of material need that is aimed at raising the insufficient income of a person or a family/household. Persons or families are entitled to the Allowance for Living if the income of these persons or families is less than the Amount of Living when reasonable housing costs have been deducted (capped at 30 % of the income or 35 % in Prague). The Labour Office is entitled to exclude a person from the group of jointly assessed person (this option is possible in order to react to various unprecedented circumstances).

The amount of the Allowance for Living is set as the difference between the Amount of Living of a person or household and the income of that person or family, reduced by the reasonable housing costs.

The Allowance for Living is a benefit that supplements the income after all benefits from the other contributory or non-contributory schemes are used (and asserting the entitlements to those benefits is being assessed during the means test – failure to assert the entitlements means that the person in question is not considered to be in material need). The Allowance for Living is thus the true last resort social benefit.

### 3.2.3.2. Supplement for Housing

The second recurrent benefit in material need aims at cases where the income of the person or family, including the entitlement to a Housing Allowance from the State Social Support scheme, is insufficient to cover justified housing costs. The scope of jointly assessed persons is the same as in the case for the Allowance for Living.

The benefit is provided to flat owners or tenants who are entitled to the Allowance for Living and the Housing Allowance. In exceptional cases worth special attention, the Supplement for Housing can be provided to a person using a form of housing other than rental (part of a flat, dormitory, recreational housing or spaces not intended for housing if certain technical quality standards are met). In case of a boarding facility (typically a residential hostel), the relevant municipality must give its assent with exceptional provision of the benefit. However, the exception has rather become the rule as a large proportion of the beneficiaries of this benefit live in residential hostels. Exception is always approved if the applicant's housing is in residential social services facility (asylum house, elderly home, sheltered housing).

The applicant must be entitled to the Allowance for Living in order to be eligible for the Supplement for Housing. However, the Supplement for Housing may be awarded to a person who is not a beneficiary of the Allowance for Living benefit, if the income of the person and of the jointly assessed persons is higher than the amount of living but below the 1.3 multiple of the same Amount of Living.

The amount of the Supplement for Housing is determined in such a manner that, on payment of justified housing costs (i.e. rent, services related to housing and energy costs) the person or family is left with the Amount of Living.

The period of benefit payment is limited to 84 months during the last 10 calendar years. An exception applies to households exclusively consisting of people over 70 years and disabled living in flats adjusted for them.

### 3.2.3.3. Extraordinary Immediate Assistance

This one-off benefit is provided to persons who find themselves in situations that have to be resolved immediately. Six situations justify this benefit:

1. When persons do not meet the conditions of material need prescribed for recurrent benefits (Allowance for Living) but, due to a lack of funds, face a serious threat to their health. The benefit tops up a person's income so that it is level with the Existence Minimum (if the beneficiary is a dependent child, the limit is the amount of the Living Minimum).
2. When persons are victims of a serious extraordinary event (a natural disaster, storms and gales, ecological disaster, fire, etc.) and the applicant cannot overcome the event because of

- his/her social and property situation. The maximum amount of the benefit is fifteen times the individual's Living Minimum, i.e. up to CZK 51,150.
3. When persons do not have enough resources to cover essential one-off expenditure connected, in particular, with the payment of an administrative fee for duplicate copies of personal documents or in cases of monetary loss. The maximum amount of the benefit is the amount of this one-off expenditure.
  4. When persons do not have enough resources to acquire or repair basic furniture or durable. The maximum amount of the benefit is the amount of this expenditure, but the sum of benefits granted must not exceed 10 times the individual's Living Minimum in one calendar year, i.e. the amount of CZK 34,100.
  5. When persons do not have enough resources to cover justified costs relating to the education or special interests of dependent children or ensuring necessary activities of social and legal protection of children. The amount of the benefit may be equal to the specific expense, but the sum of benefits granted must not exceed ten times the individual's Living Minimum in one calendar year, i.e. the amount of CZK 34,100.
  6. When persons cannot solve their situation at the time with regard to unsatisfactory social background and lack of finances and are at risk of social exclusion. This concerns, for example, the situation of persons who have been released from custody or from prison, who have left an orphanage or foster care on reaching adulthood, or who have completed treatment for an addiction. A benefit of up to CZK 1,000 may be granted. The benefit may be awarded repeatedly, but the sum of benefits granted in one calendar year may not exceed four times the individual's Living Minimum, i.e. the amount of CZK 13,640.

In case of a serious danger to one's health or life, the Extraordinary Immediate Assistance may be provided also to a person residing illegally on the territory of the Czech Republic.

If income is tested with relation to this benefit, the decisive period is the same month when the application was submitted.

The Extraordinary Immediate Assistance is a flexible one-off benefits that "fills the gaps" and can be used in a large variety of situations and awarded even to people who would not be entitled to any other benefit to avoid danger to their life or health or of social exclusion.

### 3.3. Benefits for Persons with Disabilities

The current scheme was established by Act No 329/2011 which replaced a previous system of benefits which was very fragmented (10 benefits which sometimes overlapped and required complex administration).

There are two benefits: Allowance for Mobility and Grant for Special Aid. People with disabilities can be granted also a certificate of a person with disability based on assessment of their health status by physicians of the medical assessment service. The medical assessment service is a part of

the Czech Social Security Administration, and thus cooperation is necessary between here the two institutions responsible for contributory and non-contributory benefits, respectively.

### **3.3.1. Certificate of a person with disability**

Certificate of a person with disability is “a card” which brings numerous favours/privileges in various branches. Eligible person is a person older than 1 year with physical, sense or mental disability that limited his/her ability of mobility or orientation.

There are three types of the certificate depending on seriousness of disability (TP for handicap of medium severity, ZTP for more severe handicaps and ZTP/P for severe handicap due to which the person needs a guide). A holder of certificate TP is eligible for using reserved seats in public transport means or for priority when solving his/her matter requires a long waiting with standing. Certificate ZTP, ZTP/P is an entitlement to free municipal transport, reduced fare (75% discount) on railways or regular coaches lines, certain tax relieves, exemption from certain charges, etc. Some private enterprises also offer various preferential treatment and discounts to holders of the certificates.

### **3.3.2. Allowance for Mobility**

Allowance for Mobility is a recurrent allowance which is provided to people older than 1 year who are eligible for certificate of person with disability ZTP or ZTP/P, use transport repeatedly and against payment. Monthly amount of the allowance is CZK 400. The application is rejected if the applicant is being provided residential social services (regulated by Social Services Act, i.e. Act No 108/2006) in a home for persons with disabilities, elderly home, home with special regime or in healthcare facility of institutional care. However, exception is possible to this rule.

The benefits is paid monthly (in the month following the month for which the benefit was due) or, on the beneficiary’s request, once in 3 months.

### **3.3.3. Grant for Special Aid**

Grant for Special Aid is a one-off benefit for such aids that are not covered by the health insurance. Such aid must be enabling self-reliance, working activities, education, social contacts. The grant is intended for people with a severe handicap of support and motion apparatus or who have serious loss of sight or hearing. The list of aids for which the benefit could be granted is stipulated by a Decree of the Ministry of Labour and Social Affairs (e.g. a vehicle, guide dog, Braille printing machine, signal of doorbell or special modification of a vehicle or a flat).

The main condition is that the handicap is a long-term unfavourable health problem – a problem which is expected to last for at least 1 year.

Depending on the nature of the special aid which is to be purchased with the help of the grant, several other conditions may apply:

- If the grant is to be used for purchase of a motor vehicle or special holding system, the applicant is to be a person with severe handicap of the support or motion system or with severe or deep mental retardation of the long-term nature. The applicant's health status must not preclude the use of the grant.
- Minimum age is required in case of:
  - Motor vehicle or flat adjustment (the applicant must be older than 3 years)
  - Assistance dog (15 years);
  - All other benefits – 1 year of age.

The amount of the grant is being set on the case-by-case basis. However, there are three regimes depending on the price of the aid or its type, respectively:

- If the price is under CZK 24,000 the grant is provided only to people whose income is below their Living Minimum multiplied by 8 (exceptions are allowed) There must be participation from the applicant amounting 10 % of the price of the aid, at least CZK 1,000.
- If the price is over CZK 24,000 the income is not tested. However, there must be participation from the applicant amounting to 10 % of the price of an aid, at least CZK 1,000. Some exception for low income applicants are allowed, but minimum participation of CZK 1,000 remains. Maximum amount of the grant is CZK 350,000, (CZK 400,000 for a "staircase lift").
- If the aid is a vehicle the maximum grant is CZK 200,000. Amount is set individually with respect to frequency and reasons of the transport, income of entitled person (and related persons) and social and property circumstances.

### 3.4. Care Allowance

Care Allowance is a recurrent benefit paid to individuals dependent on care provided by another person. The purpose of the allowance is to help (not to cover all the costs of the care) the person to obtain social services and other forms of social assistance needed to handle basic life needs defined by the Social Services Act.

Care Allowance is provided to persons whose long term unfavourable health condition makes them dependent on another person's assistance when dealing with basic living needs: mobility, orientation, communication, self-feeding, putting on clothes and footwear, washing oneself, use of toilet, looking after one's health, personal activities and household tasks.

The amount of Care Allowance corresponds with the degree of dependence on care by another person which is based upon an assessment of ability to manage the above mentioned 10 basic living needs.

**There are 4 levels of dependence:**

- Grade I (slight dependence);
- Grade II (medium-heavy dependence);
- Grade III (heavy dependence);
- Grade IV (total dependence).

Dependency on care of persons entitled to care allowance is assessed by a medical doctor of the Medical Assessment Service which works under the Czech Social Security Administration.

Applications for the Care Allowance are being submitted to the Labour Office which awards and pays the benefit. The decision on the benefit thus involves two governmental authorities – the Czech Social Security Administration which provides a medical assessment of the dependence and the Labour Office which then takes the decision based on the medical assessment. The procedure starts with social analysis of the applicant carried out by the Labour Office. The next step is the medical assessment by the Czech Social Security Administration.

Appeals are lodged at the Labour Office and are decided upon by the Ministry of Labour and Social Affairs which serves as the appellate body.

The monthly amounts of the allowance are based on the grade of dependence and also on the age of the beneficiary:

Grade of dependence	Amount for person under 18 years of age	Person over 18 years of age
Grade I	3,300	880
Grade II	6,600	4,400
Grade III	9,900	8,800
Grade IV	13,200	13,200

Children under one year of age are not entitled to the Care Allowance.

Care Allowance is increased by CZK 2,000 for recipient who is either a dependent child below 18 years of age or parent of a dependent child below 18 years of age if the income of the family is under the family's Living Minimum multiplied by 2.0 (both conditions must be met). The allowance is also increased by CZK 2,000 for recipients who are children from 4 to 7 years of age in grade of dependency III or IV (no income-test is required then).

Care Allowance can be used for professional or informal care (for example care by a member of the family). It is up to discretion of the recipient of the benefit.

### 3.5. Statistics on non-contributory social benefits

In 2015, the majority (78.6 %) of social transfers volume (CZK 486.5 billion in total) were pension insurance benefits (old-age pensions, disability pensions, widow or widower pensions and orphan pensions). State Social Support (including foster care benefits) benefits accounted for 7.7 %, sickness insurance benefits for 5.0 %, Care Allowance for 4.4 %, Assistance in Material Need Benefits for 2.2 %. Unemployment benefits represented 1.7 % of the social transfers and benefits for persons with disabilities 0.4 %.

Social transfers formed 17.8 % of the total household income in 2015.

### Non-Contributory Social Benefits Expenditure in 2015

#### State Social Support

Name of the Benefit	Average no. of recipients/month (thousands of persons)	Expenditure (CZK billions)	Average amount CZK/month
Parental Allowance	277.3	22.5	6,762
Child Allowance	424.0	3.1	609
Birth Grant	N/A	0.256	One-off benefit
Funeral Grant	N/A	0.014	One-off benefit
Housing Allowance	224.1	9.2	3.424

#### Assistance in Material Need

Name of the Benefit	Average no. of recipients/month	Expenditure (CZK billions)	Average amount CZK/month
Allowance for Living	148.7	7.2	3.938
Supplement for Housing	70.7	3.1	3.705
Extraordinary Immediate Assistance	4.2	0.142	2.817

Name of the Benefit	Average no. of recipients/month	Expenditure (CZK billions)	Average amount CZK/month
Care Allowance	337.0	21.2	5.242
<b>Benefits for the persons with disabilities</b>			
Allowance for Special Aid	6.8	0.783	One-off benefit, mostly used for purchase of a vehicle
Mobility Allowance	239.6	1,1	400

## 3.6. Living Minimum and Existence Minimum

### 3.6.1. Living Minimum definition and calculation

Living Minimum is an instrument serving also as a criterion in the income test when such test is required. First such threshold was defined in 1991.

Living Minimum is an amount designed to cover basic needs of the household. The rate is for an adult living alone is CZK 3,410 per month. If more adults (jointly assessed persons) are in the household, the Living Minimum amount is CZK 3,140 for the first adult and CZK 2,830 for every other adult person. If another jointly assessed person is a dependent child, the amount is CZK 2,450 for children of 15-26 years of age, CZK 2,140 for children between 6 and 15 and CZK 1,740 for children under 6 years.

Dependent children are children up to the end of compulsory school attendance and beyond, if they undergo further education or vocational training, or if they are disabled, but up to a maximum of 26 years of age.

In other words, individual households have different amounts of Living Minimum depending on how many persons live in that household, how many of them are children and how old the children are.

***Example:** The family consists of father, mother, their two children (age 8 and 17) and a grandmother. The Living Minimum amount for such household is CZK 3,140 (first adult) + 2,830 (second adult) + 2,830 (third adult) + 2,140 (younger child) + 2,450 (older child). The total is CZK 13,390.*

### 3.6.2. Existence Minimum

Assistance in Material Need uses another amount – Existence Minimum, which is defined as minimum amount to cover essential living needs on the survival level. The Existence Minimum is set as CZK 2,200 per month and per person.

Please note that the Existence Minimum is lower than the Living Minimum. It is also a motivating tool, as in some cases both amounts can be used for calculation of the Allowance for Living (Assistance in Material Need benefit) – which one is chosen depends on the (in)activity of the applicant (see below). The existence Minimum cannot be applied in cases of dependent children, people with severe disability and people over 68 years.

### 3.6.3. Housing costs

Housing costs are excluded from the Living Minimum and Existence Minimum due to the high volatility and considerable differences of the housing costs between regions and even within them and also depends on whether the housing is rented or in one's own or in cooperative ownership.

### 3.6.4. Setting the Living minimum and the existence minimum

The Living Minimum and Existence Minimum were introduced as separate instruments in 2006 (Act. No 110/2006 on Subsistence and Living Minimum, as amended) after several years of research carried out by the Research Institute of Labour and Social Affairs and expert discussions. The research was based mostly on empirical data the analysis of Family Accounts Statistics covering those 10 % families which had the lowest income.

Several types of households were included, most of them included one person with some income. The research focused on the costs of the selected items in the consumer basket, namely:

- Food and non-alcoholic beverages;
- Alcoholic beverages, tobacco;
- Clothing, footwear;
- Furnishing, household equipment, maintenance;
- Health;
- Transport;
- Communication;
- Recreation, culture;
- Education;
- Boarding, accommodation;
- Miscellaneous goods and services.

The research recommended to establish two separate thresholds (later the Living Minimum and Existence Minimum) and also the amounts of the two (amounts set in 2006 were close to the recommended ones). The other recommendation was to exclude housing costs from the Living Minimum and the Existence Minimum. The law in 2006 reflected this as well. The research study also said that the minimum wage should be set around 40 % of the average wage. The current Government put this as one of its priorities in 2014 and by 2017, the gross minimum wage (CZK 11,000 after the increase effective from January 1, 2017) is 39,87 % of the gross average wage for the whole year 2016 (CZK 27,589).

In, 2014, a new research by the Research Institute of Labour and Social Affairs confirmed the previous research and relevance of the way the Living Minimum and the Existence Minimum were set in 2006.

### 3.6.5. Indexation of the Living Minimum and the Existence

#### Minimum

The amounts of the Living Minimum and the Existence Minimum can be increased by a Government Decree. The Government is entitled to raise the amounts by 1<sup>st</sup> January of the given year if the sustenance costs and costs for other basic personal needs rose by 5 % in the decisive period. Under extraordinary circumstances, the Government may also increase the amounts outside the regular indexation. The last increase of the Living Minimum and the Existence Minimum was made in 2012.

## 4. Social Assistance Administration

### 4.1. History of the Social Assistance Administration

After 1989, social assistance had to be put on a completely different footing as the Czech economy and society commenced transition from administrative command economy to capitalism. Until 2003, the social assistance schemes introduced during the 1990s were administered by District Offices. District Offices were bodies of the central government (the Czech Republic had 76 districts and Prague had special status). Because the District Offices had been abolished by 2003, the responsibility for social assistance benefits was transferred to municipalities.

Nevertheless, the ultimate responsibility still rested with the central government who set the policy, legislation and detailed methodology and provided the funds. All the time, 100 % of social assistance expenditure was covered from the state budget.

Soon, the responsibilities were split between the central government and the municipalities – in 2004, the State Social Support Scheme was transferred to Labour Offices, central government bodies operating on district level (i.e., there were 77 Labour Offices – 1 in each of the 76 districts and 1 in Prague). Other schemes were kept at the municipalities. In 2006/2007, the Assistance in Material Need scheme was introduced. The implementing authorities were the municipalities.

The split of the tasks between central government and self-government lasted till 2012. This situation had major disadvantages:

- Citizens had to visit different authorities to apply for social assistance benefits;
- Lack of coordination was perceived between the municipalities, regions and the Labour Offices;
- Despite methodological instructions by the Ministry of Labour and Social Affairs (MoLSA), differences had developed in practice of the 205 municipalities with broader competence and the 77 Labour Offices.
- All appeals regarding social assistance benefits were decided upon by the Regional Authorities. This included also appeals against decisions taken by the Labour Offices who had to follow the instructions issued by MoLSA as well as to respect decisions of the appellate bodies, i.e. the Regional Authorities.

In 2007, a legal proposal was prepared with two aims: 1) to create a single authority which would replace 77 separate Labour Offices; 2) concentrate all social assistance administration under the new authority. Due to opposition of the regional leaders (who were members of the same party as the Minister of Labour and Social Affairs), the proposal was withdrawn.

## 4.2. Establishment of the Labour Office of the Czech Republic

In 2011, in different political situation (Regional Leaders were members of opposition parties), the Act on Labour Office of the Czech Republic created the Labour Office of the Czech Republic (LO CR or Labour Office) which replaced the Labour Offices on 1<sup>st</sup> April 2011. The LO CR is a central authority subordinate to the MoLSA with three levels of management. The headquarters (Directorate General) is located in Prague, second level is represented by 14 Regional Branches (1 in each region). The front-line level is the Contact Offices, numbering over 300. Contact Offices differ in size, from several persons to several dozens of employees (the largest are those which were created from the previous Labour Offices).

Reasons for establishing the Labour Office of the Czech Republic were the same as in the proposal from 2007 – creating a single central body with stronger vertical coordination and clear responsibilities, aligning the structure of Public Employment Services with the regional level of general administration and also streamlining of the operational costs (in 2011, austerity measures were being put in place because of the impact of the financial and economic crisis).

## 4.3. Concentration of Social Assistance under the Labour Office

Shortly after its establishment, on 1<sup>st</sup> January 2012, the Labour Office became the only authority responsible for social assistance benefits by transferring the relevant schemes from municipalities to the hands of the new authority.

At the same time, the scheme with benefits for persons with disabilities was reshaped. Existing 10 benefits were replaced by two which led to a greater transparency of the scheme and decreased its complexity from the administrative point of view.

The reasons for centralising the social assistance benefits under the LO CR were to have only one body dealing with the four schemes (i.e. one-stop shop from the citizens' perspective), establish synergies and prevent overlapping of the benefits from different schemes, to have more unified practice in implementing the schemes and, again, to streamline the operational costs. Important aim was to better to better link the activity (or lack thereof) in the labour market with the social benefits (such features are present in the Assistance in Material Need).

The implementation of social assistance has been entirely put into hands of the central government. This eliminated unclear situation when each responsible body (either a municipality or a labour office) were responsible to two different institutions – to the relevant Regional Authority, which served as the appellate body, and to the Ministry of Labour and Social Affairs which had the overall responsibility for social assistance. Nowadays, the appellate body for all social assistance benefits is the MoLSA which also has control and coordination powers over the Labour Office.

The reasons were sound. However, the reforms were beset with serious problems which had to be solved for several following years:

- The Labour Office was understaffed. The 2007 proposal estimated the staff of the new authority as 16,000. In 2012, the Labour Office had about 8,000 employees, roughly one half responsible for labour market and the other half dealing with social assistance. In total number, the number of employees remained the same despite the considerable broadening of the LO CR responsibilities (and the rapid rise of unemployment rate after 2008). The staff has been increasingly strengthened and today is around 12,000 employees. During the same time, the unemployment rate (which peaked in 2011-2012) has dropped to the lowest level since 2008 thus reducing the workload.
- In 2012, the Labour Office introduced new information system for all the social assistance benefits. The system was not functioning properly and the Labour Office was on the brink of a collapse. In 2012, it barely managed to just pay the benefits.

Since 2012, all the four social assistance benefit schemes have been administered by the labour Office of the Czech Republic:

- State Social Support;
- Benefits for Persons with Disabilities;
- Care Allowance;
- Assistance in Material Need.

## 4.4 Current social assistance administration

After the changes implemented in 2011-2012, all the non-contributory social benefits are awarded and paid by the Labour Office of the Czech Republic which is an authority which applications for benefits are being submitted to. Until 2012, the Assistance in Material Need benefits were awarded and paid by the municipalities (and earlier, the same was true for State Social Support benefits), but even then it was a power transferred to municipalities from the Government.

Applications for benefits are handled by the contact points of one of the 14 Regional Branches of the Labour Office based on the (permanent) residence of the person entitled to the benefit (the eligible applicant). Applications for benefits are submitted on forms prescribed by the Ministry of Labour and Social Affairs.

### 4.4.1. Position and Structure of the Labour Office

The Labour Office is a central administrative body subordinate to the Ministry of Labour and Social Affairs. The Director General of the Labour Office is appointed by the Minister of Labour and Social Affairs.

The headquarters (Directorate General) is based in Prague. There are 14 Regional Branches of the Labour Office in each of the regions. The Labour Office has more than 300 Contact Points across the Czech Republic. The Contact Points differ in size.

Contact points of the Labour Office deal with the day-to-day tasks related to the social benefits – they accept the applications, check their formal correctness, commence the administrative proceedings and take decisions within the proceedings. They also provide social counselling to the applicants and carry out the social work with persons in material need.

Regional Branches deal more with the strategic and conceptual aspects of the social benefits, coordinate the contact points and provide them the methodological guidance.

The body which decides on the appeals against decisions taken by the Labour Office with regard to all non-contributory social benefits is the Ministry of Labour and Social Affairs.

The employees of the Labour Office are public servants as defined by the Public Service Act (No 234/2014). In 2016, the Labour Office had 10,408 permanent employees and also 1300 employees for implementation of projects co-financed by the EU. In 2017, the permanent staff is to increase by 300 employees to expand the capacities available for social benefits.

#### **4.4.2. Tasks of the Labour Office**

Apart from the non-contributory social benefits, the Labour Office is also responsible for providing the public employment services (incl. the job mediation between the workers/jobseekers and employers, job counselling etc.), active labour market policy which uses various financial grants or re-training and other tools to promote employment of jobseekers who have difficulties to find a job (persons with disabilities, young and older people, long-term unemployed, parents after mother or parental leave etc.). The Labour Office also pays unemployment benefits and is also the body which provides protection of workers' wage claims in case of their employer's insolvency. The Labour Office is also tasked with inspection of provision social services.

#### **4.4.3. Role of the Ministry of Labour and Social Affairs**

With regard to social assistance benefits, the Ministry serves as the appellate body. In the field of non-contributory social benefits, the Ministry issues implementary regulations to the legislation (Decrees of the Ministry if allowed for by the relevant laws). The Ministry also provides methodology and interpretation statements regarding the provisions of the law.

The Ministry also runs a unified information system of labour and social affairs which includes data on the social benefits and their beneficiaries and applicants and the persons jointly assessed with them. Currently, a public tender for a new IT system is being prepared.

## 5. Coordination with relevant authorities and institutions

As said before, all the social assistance benefits are awarded by the Labour Office which collects the applications, assesses them and pays the benefits. The Labour Office is the only authority with mandate to decide on granting the benefit. However, other authorities are involved as well, especially when an application is being assessed (in case of Assistance in Material Need benefits, also during the payment of the benefit). The scope of those authorities differs for each scheme and also with regard to some of the benefits.

### 5.1. Income Test

All the four schemes use income test for at least some of the benefits. The Care Allowance (except the increase of the allowance), benefits for persons with disabilities and some of the State Social Support benefits (those that are not income-tested) are being awarded in clearly defined situations and they are not linked with benefits from other schemes (pension insurance, sickness insurance, unemployment benefits).

Sometimes, the income test is needed to assess the entitlement to the benefit, sometimes it is bound with some of the parameters of the benefit (amount of the benefit or extent of the beneficiary's own contribution).

Rules for the income test are set in the Act on Living and Existence Minimum and are the same for all social assistance schemes (there are some differences – some benefits are excluded from income test related to a particular benefit and may be included in an income test related to another benefit. Sometimes income from gainful activity is not calculated in full, for instance within the Assistance in Material Need scheme – see Section 3.2.1)

The income test includes all taxable income from employment or entrepreneurship, social security (i.e. contributory) benefits, unemployment benefits, income from selling or renting property. Usually, the tax authorities and the Czech Social Security Administration are being asked for cooperation during the income test. The communication with other authorities is computerised. They have either access to the relevant IT system or the Labour Office sends them electronic queries (or uses the electronic data boxes which are obligatory for all legal entities). The other authorities are obliged to assist the Labour Office when asked.

Nowadays, it is up to the applicant to prove his/her income by providing the documentation (contract, tax declaration, declaration of paid wages by the employer, evidence on paid benefits from Czech Social Security Administration). Nevertheless, the Labour Office is, in theory, able to receive data from those institutions (sometimes this means all data the LO CR needs to decide upon an application) via electronic means. However, this is now being used to verify data provided by applicants. In the future, there is room for diminishing the administrative burden for the applicants.

## 5.2. State Social Support

The benefits from this scheme are related to family (and are sometimes dubbed as such, i.e. as “family benefits”). Income test is carried for three of the five benefits from the scheme (Child Allowance, Housing Allowance, Birth Grant). Income-tested State Social Support benefits as well as both recurrent Assistance in Material Need benefits (Allowance for Living, Supplement for Housing), are used when the income from gainful activity and from other benefit schemes does not exceed the thresholds prescribed for the benefits.

For the Parental Allowance benefit (which is not income tested), there is a special situation which involves the Czech Social Security Administration as the body responsible for Sickness insurance scheme. The Parental Allowance monthly amount can be set by the beneficiary, but the maximum monthly amount is determined by the amount of daily assessment base within the sickness insurance (which itself is derived from labour income or entrepreneurship income if the entrepreneur participates in sickness insurance scheme).

## 5.3. Benefits for Persons with Disabilities

Benefits in this scheme are awarded based on the assessment of health status of an applicant. This assessment is being performed by physicians of the Medical Assessment Service, which serves under the Czech Social Security Administration (the same service provides health status assessment with regard to disability pensions and to Care Allowance). Therefore, the Czech Social Security Administration has crucial role in providing the data essential for taking decision upon an application. However, the decision is taken by the Labour Office alone.

Income test is also carried out to determine the extent of contribution of a beneficiary of the Grant for Special Aid. The contribution is 10 % of the price of the special aid to be purchased with the benefit or less (the minimum contribution is CZK 1,000, i.e. EUR 38).

## 5.4. Care Allowance

Decisive for awarding the benefit as well as determining its monthly amount is an assessment carried out by the Medical Assessment Service of the Czech Social Security Administration. Based on the degree of dependence on care provided by another person (there are 10 areas and by the number of areas in which care by another person is needed, the degree of dependence is determined), there are 4 amounts of the benefit (different sets of amount are used for children and for adults of 18+ years of age).

The situation is the same as with Benefits for Persons with Disabilities – assessment by the CSSA is crucial for granting the benefit but the decision is taken by the Labour Office.

Income test with regard to this benefit is used with regard to applicants (or beneficiaries) with low income. When the income test and other criteria are met, the Care Allowance is increased by CZK 2,000 per month (ca EUR 76). The income test is then carried out along the rules set out in the Act on Living and Existence Minimum (i.e. the same rules are applied as for the State Social Support and Assistance in Material Need income test). The income threshold is 2.0 multiple of the Living Minimum but it is not the only condition which must be met to award the increase.

## 5.5. Assistance in Material Need

The aim of the scheme is a more complex and also more ambitious. This scheme is used only after all other schemes fail to solve applicant's situation. The assistance is provided in order to help the person in material need to overcome the situation and integrate again into the society.

The scheme includes motivational measures to make the beneficiaries actively seek solution of their material need situation. Means test is used to determine the entitlement for benefits. Apart from income test (which includes also State Social Support benefits), it is being assessed whether the applicant has: property which can be used to increase income; and/ or claims (including entitlement to social benefits in cash) he/she can use for the same purpose.

Labour or jobseeking activity is also being taken into account and cooperation with labour market department of the Labour Office is therefore established. Benefits may be decreased if the beneficiary or applicant who is registered as jobseeker does not follow the instructions of the labour market department (does not participate in re-training, does not accept a suitable job etc. – more details are provided above in Section 3.2.2.2.).

### 5.5.1. Social Work within Assistance in Material Need

Assistance in Material Need scheme is designed not only to provide persons with financial resources but the ultimate goal is to solve their material need situation. Cash benefits are considered only a part of the solution. Apart from the benefits in cash (if necessary) the Labour Office also provides the relevant counselling and also social work. Social work has a special role. In fact, assistance in material need starts with social work. The first step of the assistance is to carry out social investigation of the applicant to identify his/her needs and means at his/her disposal.

The social workers of the Labour Office often work in cooperation with social workers of the municipalities, with social services providers and also with non-governmental organizations. Assistance in Material Need thus involves also the municipalities and/or regional authorities and my entail also social service providers in the region. The municipalities' social workers have access to Unified Information System operated by the MoLSA. The can view certain documents in an Assistance in Material Need beneficiary's file and upload their reports (a standardised form is used for social investigation).

The Act on Assistance in Material Need sets the obligation for social workers of the Labour Office and those of municipalities to mutually exchange information on a cost-free basis which is necessary for decision-making regarding material need situations. However, there is no relationship based on subordination between the Labour Office and municipal authorities but one of cooperation leading to finding solutions to unfavourable situation.

### **5.5.1.1. Social analysis**

The basis for any work with a person in material need is a social analysis. It is usually carried out in the beneficiary's surrounding. The visit is arranged with the beneficiary in advance. The analysis serves to better understand the specifics of the situation to tailor possible solutions and also to ascertain information about persons jointly assessed with the beneficiary. This social analysis may be carried out by a social worker of the Labour Office or by a social worker of the municipality. There is a prescribed form (Standardized Record of a Social Worker) which must be used by any social worker performing the social analysis with relation to material need situation. The form is being uploaded into shared workspace where both the Labour Office staff and the social workers of the municipalities have access.

Specific type of social analysis is used for ascertaining the eligibility to Assistance in Material Need benefits. The date of such analysis (visit) is not communicated to the applicant in advance. In this regard, the social analysis performed by a social worker of a municipality cannot be the only basis for the decision of granting/denying a benefit. The Labour Office must supplement it with information obtained on its own. Ultimately, the decision is taken by the Labour Office alone.

### **5.5.1.2. Social Work with a person in material need**

Social workers of the municipalities are usually the most important partners of the Labour Office in performance of the social work with persons in material need. Even in the first contact of the person in material need and the staff of the Labour Office, contacts to social workers of the municipality are being provided if the specifics of the case make it suitable. Similarly, contact with a provider of social services may also be mediated through a Labour Office's social worker. The social worker of the Labour Office even has an obligation to establish cooperation to solve material need situation if there is a suitable social service or other organization in the locality.

The Act on Assistance in Material Need gives everybody the right to basic social counselling. If the contact point of the Labour Office does not have the relevant personal capacities, the Labour Office may direct the person to social worker of the municipality or to a provider of the relevant social services.

Instruction by the Ministry to the Labour Office establishes a duty to carry out regular meetings of social workers of the Labour Offices and the municipality at least once in 2 months to coordinate the cooperation in solving material need situation. Social workers of the Labour Offices are also recommended to participate in case conferences organized by social workers of the municipalities,

especially when the person in question is a long-term beneficiary of Assistance in Material Need benefits.

If a person is in material need for more than 3 months, the Labour Office must conclude a joint procedure to solve the unfavourable social situation. The Labour Office social worker is expected cooperate with other sections of the Labour Office (job mediation section et al.), with the relevant social service providers, counselling organizations and with social workers of the municipality.

### **5.5.2. Public Work Service**

Municipalities (and also regions, NGOs and other organizations if it is in the public interest) have their role strengthened in the Assistance in Material Need scheme after the recent amendment (spring 2017) of the law which linked the amount of living with the performance of the Public Work Service. The Labour Office may grant a subsidy to the organizer of the public work service in the amount up to CZK 1000 to cover protective aid or working means for the person carrying out the service.

### **5.5.3. Role of the municipalities with regard to the Supplement for Housing benefit**

Municipalities also have a special role with regard to the Supplement for Housing benefit. A person in material need is obliged to find appropriate housing, in particular to ask for assistance of the municipality where he/she has residence or lives. The municipality must assess such application. If municipality rejects it, it must give the person in material need a recommendation of further steps to be taken. If the municipality offers an appropriate housing and it is rejected, the labour Office must be informed.

If the housing for which the benefit is paid, is not a residential space (flat, residential facility), i.e. a residential hostel, a part of a flat or a space not designed for housing (such forms of housing are allowed in “cases worth special attention” when standard housing forms are unavailable), it may also be used for housing (and the Supplement for Housing may be awarded) in cases worth special attention. The relevant municipality has a great role in assessing whether the case is worth special attention (inter alia, it issues recommendation whether the space in question is deemed suitable for housing or not).

### **5.5.4. Immediate Extraordinary Assistance**

In case of the Immediate Extraordinary Assistance, the cooperating subjects vary depending on the situation. Often, those are municipalities (their social workers), or social services providers. The benefit may also be granted with regard to the social and legal protection of children. In such case, the cooperating subject is the social and legal protection of children body (they are established at some larger municipalities), healthcare staff etc. When assessing the applicant’s situation, the

Labour Office may carry out social analysis and procure necessary data from state authorities, regions, municipalities and other organizations or persons (schools, Probationary service, intervention centres etc.).

## 6. Overall Assessment – Strengths and Weaknesses

### 6.1. Strengths – Robust System preventing Poverty

The Czech Republic opted for the centralised model of Social Assistance administration, which has been in place since 1<sup>st</sup> January 2012. Since then, the social assistance benefits have all been administered by the Labour Office of the Czech Republic. Single IT platform is being used (a public tender has been called for a new, presumably less expensive one). Even though the social assistance benefits have always been paid from the state budget, the current arrangement allows for more direct and streamlined financial flows.

With regard to State Social Support, Benefits for Persons with Disabilities and Care Allowance, this solution causes no issues. This is probably also because the benefits are designed for particular situations which are described in detail in the law and there is not much room for discretion of the Labour Office.

Even then, there is potential for improving the inter-institutional cooperation, mostly in the e-government area – the Labour Office is able to obtain much of data required from the applicants by electronic or even automated means (from the Czech Social Security Administration or the Tax Administration) but primary source of data is the applicant who must provide it.

Assistance in Material Need is a more flexible scheme (especially the Extraordinary Immediate Assistance) so that it can “plug the holes” in case of situation that is not anticipated in the otherwise detailed social assistance legislation.

Overall, the Czech social protection is very efficient in terms of preventing income poverty. In 2015, 9.7 % of the population were under the poverty line defined as 60 % of mean income whereas the EU average was 16.8 %. Moreover, social protection expenditure (social security, healthcare insurance, social assistance, unemployment benefits) is well below EU average (19.7 % of GDP in the Czech Republic while the EU average was 28.9 % of GDP).

### 6.2. Shortcomings

#### 6.2.3. Socially Excluded Localities

Despite those very positive results, other data show that in areas where the main issue is not the lack of income, the Czech social assistance has to be improved. The Czech Social Assistance system has shortcomings when it has to work on an individual basis. In the last decade, which saw no great changes of the poverty-at-risk rate, the number of socially excluded localities has doubled from 300 to approx. 600.

There are several possible reasons. For example, prevention of socially negative phenomena is rather limited. The area of social work needs clearer distinction from social services and clear rules in general. So far, the social work relies upon municipalities and there is no clear definition of social work or of the social worker profession. It is also likely that more social workers are needed (a legislative proposal which was eventually withdrawn envisaged increase in number of social workers by 50 %). Contributing factors were probably also the problems of the Labour Office shortly after its establishment in 2011 and the fact that reforms in the time of the crisis and its aftermath were driven by cost reduction and were also focused on increasing motivation of jobseekers and people receiving social benefits.

## 6.2.4. Lack of Social Housing

One of the main drivers of social exclusion, however, is the lack of social housing policy. Until adoption of the Social Housing Policy in 2015, there was no policy document in this area. A legislative proposal has been drafted in the field of social housing. However, the Chamber of Deputies of the Parliament rejected the proposal. There is no law providing for social housing (or even defining it) at the moment.

With regard to housing, the benefits (Housing Allowance, Supplement for Housing) which were both set in 2006, should be able to ensure a family/household a decent housing and as prevention of social exclusion (or even a part of social inclusion of those already excluded). However, there are more obstacles on the housing market that cannot be overcome with those benefits. The range from open discrimination to the requirement of a deposit amounting to several month rent payments which a family with insufficient income is not able to put together. The lack of housing capacities is also an issue in many of the municipalities as they privatised the flats and houses in the past. In almost half of the cases, the Supplement for Housing is being used for sub-standard housing in residential hostels with the beneficiaries unable to find more decent housing. What was supposed to be an exception has rather become the rule. In the previous years, the housing benefits even led to a “business with poverty” when the owners of the residential hostels increased sharply the prices because the housing costs are being fully covered by the benefits. Ironically, the cost for a residential hostel room was often on par with the market rent of a decent apartment with three rooms and kitchen.

## 6.2.5. Inactivity Traps

There are, however, certain situations where the social benefits may create inactivity traps, especially when income is tested and the income of the assessed person is close to the threshold of entitlement to a particular social benefit such as Child Allowance (i.e. you earn CZK 100 more by work and lose benefit worth of CZK 700).

The main inactivity trap is bound with the Parental Allowance along with other factors such as accessibility of childcare facilities or lack thereof, reluctance of the employers to make flexible arrangements of the work organization such as part-time jobs, flexible working hours, home office etc. contributes to a large drop in employment rate of women in age group 25-39.<sup>31</sup> In average, the parent staying at home with the child (in 98 % cases the mother) is out of the labour market for more than 3 years per child. The tax abatement for each child is rather used to increase the net wage of the parent who remains at work.

## 6.2.6. Social Services and Social Work

The systems of social work and social services which are based on regions, municipalities and non-governmental sector, also need to be developed further. Especially the social work, which is crucial for reintegration of persons who are socially excluded, needs clear rules and standards and also more funds to increase the insufficient number of social workers. Developments in social work field and more individual approach would enable for better prevention and would be indispensable for combatting the concentration of negative social phenomena (socially excluded localities).

However, preparatory works on a Social Workers Law were not completed and no legislative proposal was submitted.

Therefore, there still remains large untapped potential in the area of cooperation with the municipalities which may lead to more comprehensive and individualised solutions for people in need. Municipalities have better knowledge of the local situation, long experience with social work provision and organization. The municipalities may also connect social assistance with schools, healthcare facilities and social services in their territory. Some municipalities have already achieved success in social inclusion and may become examples for the others.<sup>32</sup>

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<sup>31</sup> Employment rate of women of 20 – 64 years was 67.9 % in 2015 while the employment rate of men in the same age group was 84.0 %. In the age group 25-39, the employment rates were 90.8 % for men and only 66.8 % for women.

<sup>32</sup> For example Obrnice in the Most Region. Obrnice received the Dosta! Prize awarded by the Congress of Local and Regional Authorities (a body of the Council of Europe), see [http://www.mzv.cz/coe.strasbourg/en/ceska\\_obec\\_obrnice\\_vitezem\\_ceny\\_dosta.html](http://www.mzv.cz/coe.strasbourg/en/ceska_obec_obrnice_vitezem_ceny_dosta.html)

## ANNEX

### Social services

Social services sector is regulated by Social Services Act (Act No. 108/2006, as amended). Social services mediate assistance in the care of one's own person, providing meals, accommodation, assistance in running a household, care and assistance with bringing up a child, providing information, mediation of contact with social environments, psychotherapy and social therapy, assistance in assuring one's rights and interests.

Social services help people to live a normal life - they allow them to work, shop, attend school and places of faith, participate in leisure time activities, take care of themselves, their home, etc. The services aim to maintain the highest possible quality and dignity in their lives. Social services are provided to individuals, families, as well as to groups of people.

Social services are administered to people in adverse social situations if the people are permanent or long-term residents of the Czech Republic. The most numerous groups of beneficiaries are, particularly, the elderly, people with disabilities, families with children however also, people living on the fringes of society for various reasons.

### **Social services providers**

Municipalities and regions look to form suitable conditions for the development of social services, in particular by researching people's real needs and the resources necessary to satisfy such needs, besides that they set up organisations to provide social services.

Non-governmental non-profit organisations and individuals who provide a wide spectrum of services are also important social services providers.

The Ministry of Labour and Social Affairs is the incorporator of five specialized social care institutions.

In total, there is around 2,400 registered providers of social services.

### **Applying for a social services**

An individual must, usually, apply for a social service. For some types of social services the municipalities and regions issue resolutions on services to be provided in administrative proceedings. This concerns, in particular, domiciliary care services and services associated with staying in homes for people with disabilities and for the elderly. The service is always provided on the basis of a contract between the provider and the client. The contract, also includes a clause concerning the user's financial participation in the service provided (please note that some services are free of charge and such clause is not necessary in that case).

**Social services include:**

- Social counselling,
- Social care services,
- Social prevention services.

Services could be residential (the services include accommodation), ambulatory (the client visits the provider but is not accommodated there) and field services (they are provided in the client's natural environment).

Individual types of the services are listed in the Social Services Act. The social Services Act also stipulates the rules of payments for the services (selected services are provided free of charge).

Social services may be provided only if the provider has a registration to provide them unless the provider is a natural person close to the recipient of the social services. The registration is done by the relevant regional authority. One of the conditions for registration is that the provider follows the standards of quality which are also stipulated by a decree of the Ministry of Labour and Social Affairs. The Ministry runs a register of providers of social services in the whole Czech Republic.

Regional authorities are responsible for coordination of social services in the territory of their regions and safeguards accessibility of the services. They receive subsidies from the state budget which must be used only to that ends (upon an application submitted to the Ministry of Labour and Social Affairs which decides on the subsidy). Regional Authorities than decide on awarding grants to social services providers. The Ministry also provides special grants to the regions and municipalities for performance of social works and can also provide direct grants to social services providers

The Ministry of Labour and Social Affairs is in charge of the social services inspection.

However, the primary task of the MoLSA is the preparation of long-term systematic measures and the relevant legal regulations as well as quality enhancement support of the social services provided.

This concerns, for example, the support of:

- planning of a social services network in regions and municipalities based on the people's needs as researched,
- qualification enhancement,
- quality improvement of services provided with an emphasis on protecting the service users' rights,
- civic and mutual activities, that is the non-profit sector.

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# The Social Assistance System in Italy

Renzo Turatto

Federica Turatto

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## 1. Introduction and definition of social assistance

Art.38 of the Italian constitution affirms that the State provides social assistance to every citizen who is unable to work and in state of economic need.

Social assistance refers to *the large variety of policies, including both monetary and in-kind benefits, which have been made progressively available to people in need and are financed by general tax revenue and do not depend on contributions paid by the beneficiary.*

The main actor in charge of these policies is the State, through the National Institute for Social Protection (Istituto Nazionale di Previdenza Sociale, INPS). In addition, a significant role, still to be fully exploited, is given to the local authorities (regions, provinces and municipalities), and other public and private actors.

This paper will focus on the main features of major monetary transfers, and especially to those directly financed by the State budget. Without neglecting the importance of the implementation, stage we'll give only minor relevance to the detailed analysis of single instrument; the analysis will focus mainly on the most important national policies, while a minor role will be given to local policies, considered the low relevance they had in the last years as a result of the deep economic slowdown.

## 2. Brief historical overview

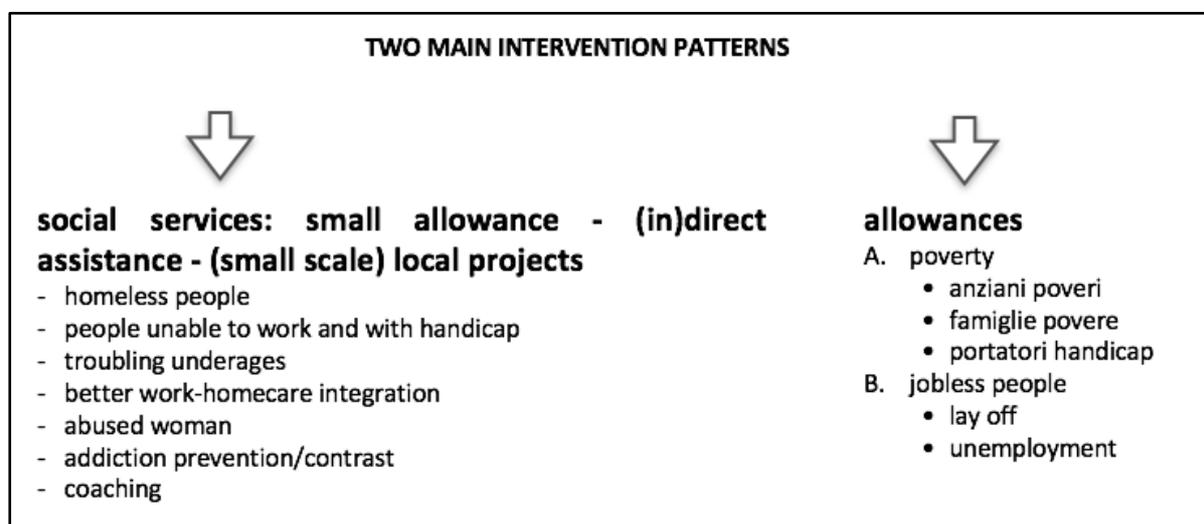
Until the 80s, Italian social assistance schemes relied highly on households, ensuring protection to at least one *breadwinner* per family by contrasting unemployment and impoverishment through measures such as unemployment insurance and early retirement. Social assistance policies were based on internal redistribution mechanisms, which contributed to good compensation among individuals in the family. During the 80s, growing unemployment rates and socio-demographic changes increased the gaps in general coverage, while enlarging groups with higher social vulnerability.

In the following years, an increased awareness - facilitated also by the influence of the new-born European Union - led to a more ambitious social policy, calling for a more comprehensive social assistance system.

In 1999 a first national minimum income scheme (*RMI*) was experimented, which coupled benefit provision with obligation to comply with active labour market policies (ALMPs) and/or re-insertion programs. The first trial - experimented in 39 municipalities - was launched in 1999. It ended in 2000 and was then extended for two further years to a larger number of local entities. The State oversaw the general norms on the eligibility threshold and the amount of the minimum benefit; municipalities were in charge of the implementation in order to adapt the benefit to local specificity. Evaluations of the experimental phase pointed out several problems: lack of coordination between actors and exclusion of regions and provinces from the process; excessive differences in implementation due to lack of both general guidance and trained personnel; rise in illegal labour. As result RMI wasn't generalized and different minimum income schemes were adopted at the regional level.

In 2000 a new framework for social assistance was approved. It was thought as a step towards the integration of monetary and in-kind benefits and towards an effective governance; it was inspired by an overall national approach with multilevel efforts. The new framework was further re-defined with the 2001 Constitution reform, while the 2009 fiscal federalism law transferred the jurisdiction for social assistance to regions, and the urgency for a more effective-efficient service provision led to transferring the responsibility of implementation to local authorities and non-State organizations.

As a result, today's Italian social assistance framework includes two main areas: social services and allowances. The first mainly implemented at a local level through national funding; the latter distributed at the national level through INPS.



The recent financial turmoil and the related deep economic slowdown led to an unprecedented increase in the numbers of people in need and to unexpected public budgets constraints. State policies gained a renewed importance in order to meet the demand for an increased control in outgoing flows. Regions and local authorities remain responsible of ensuring the integration of social services and in kind provision.

### 3. Social assistance in Italy<sup>33</sup>

Focusing on the main national allowance schemes, as represented in fig. 1, today's policies target two categories of beneficiaries:

- people affected by extreme poverty
- people who are experiencing income losses due to reduction, suspension or loss of employment.

<sup>33</sup> Further details on each social assistance measure (governance, eligibility criteria, benefit amount, ...) are provided in Annex 1.

This classification reflects the prescription of the Italian Constitution, which states that:

- A. *citizens* must be supported by, and are entitled to, social security if:
- unable to work
  - without the minimum income necessary for life supporting
- B. *workers* must benefit of pension/insurance schemes for age, illness, accident, invalidity, “involuntary” unemployment

Policies aiming to reduce extreme poverty are targeted to:

- Elderly people: people over 65 are entitled to a monthly allowance (*social allowance*)<sup>34</sup> and an e-voucher (*social card*)<sup>35</sup> to pay for essential goods (i.e. food, house bills, ...). A *retirement benefit integration*<sup>36</sup> is also granted to poor pensioners getting a below-the-minimum pension.
- Families: employees with certified economic need are entitled to a *household allowance* delivered by the employer<sup>37</sup>. In addition, poor families with a small child under the age of three are also entitled to the *social card* e-voucher. A new, more targeted e-voucher (*SIA*)<sup>38</sup> provides larger benefits to families with young or disabled children or when the wife is pregnant. Mothers with no social security benefits can claim the *maternity allowance*<sup>39</sup>, as well as the *new-born allowance*<sup>40</sup>. A specific *household allowance*, delivered by municipalities<sup>41</sup>, is also granted to families with more than three children.
- Disabled people: disabled people in working age (18-65 years old) in economic need, who are unable to work, are entitled to an *incapacity benefit*<sup>42</sup>, or an *assistance allowance*<sup>42</sup> (in case of partial inability). A *school attendance allowance*<sup>43</sup> is granted to all underage disabled people to promote their participation in education and training. In addition, (different) *attendance allowances*<sup>40</sup> are granted (regardless of age and income) to people blind, deaf and dumb, and to people suffering complete disability.

The second category of beneficiaries includes those who are:

- Unemployed: the 2015 labour market reform<sup>44</sup> introduced a new unemployment insurance scheme (NASPI) which grants 75% of the last four years’ average salary, for half the time the beneficiary spent at work in the same four year. In addition, an experimental measure (ASDI) is granted to those who are still unemployed once NASPI has expired.
- Layd off: employees working in Industry, Construction or Business services are entitled to a complementary insurance scheme covering up to 80% of the wage reduction, provided that the business counts more than 15 employees. Depending on the type of business and on the cause of reduction, the measure is provided by INPS or the Ministry of Labour and Social Policies (*CIGO-*

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<sup>34</sup> law 335/1995

<sup>35</sup> d.l.112/2008

<sup>36</sup> law 335/1995

<sup>37</sup> law 153/1988

<sup>38</sup> law 208/2015

<sup>39</sup> d.l.151/2001

<sup>40</sup> law 190/2014

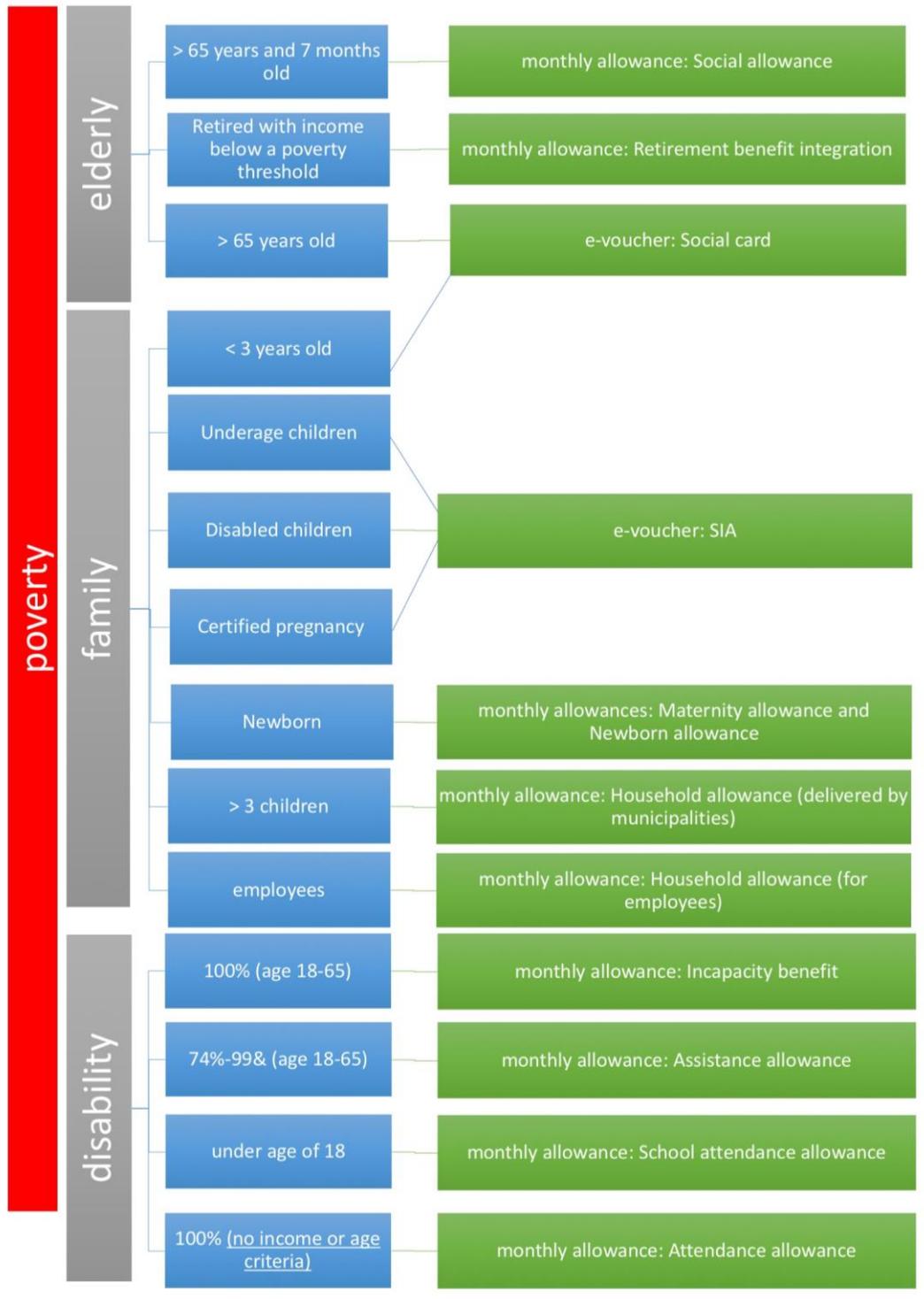
<sup>41</sup> law 448/1998

<sup>42</sup> law 118/1971

<sup>43</sup> law 289/1990

<sup>44</sup> d.l. 22/2015

CIGS)<sup>45</sup>. For businesses which are not entitled to these measures, there is the possibility to establish ad hoc Solidarity Funds, after agreement between employees and trade unions.



<sup>45</sup> d.l.148/2015



Figure 1. Overview of national Social assistance schemes grouped by target.

It is worth noticing that the e-voucher directed to poor families (*SIA*) is relatively new. It was first introduced as an experimental measure in 2012 in 12 municipalities. In 2016 its coverage has been extended to the whole country. It is regarded as an *interim* measure until the new national minimum income measure, the "inclusion income" (*Rei*), currently in discussion, will become effective.

Besides national social assistance schemes, regions and municipalities also contribute to tackling absolute poverty. A range of minimum income schemes to tackle absolute poverty have been experimented<sup>46</sup>, and some municipalities have also set up autonomous income support schemes and bonuses for electricity and gas expenditure.

#### 4. Cost and funding of social assistance

As for our definition, today's total expenditure in social assistance measures in Italy amounts to 3,2% of GDP. The amount devoted to allowances delivered at the national level is equal to 51 billion Euros (Table 1).

Table 1. State expenditure for social assistance measures<sup>47</sup> - 2016

Social assistance measure	Euro (millions)	%
Retirement benefits integration (2015)	9344	18,22
Social allowance	4906	9,57
E-vouchers	211	0,41
<i>Social card</i>	<i>190</i>	

<sup>46</sup> For details on regional minimum income schemes, see Jessoula et al. (2015).

<sup>47</sup> source: INPS (2017); Centro Studi e Ricerche di Itinerari Previdenziali (2017); Ministero dell'Economia e delle Finanze -RGS (2017).

<i>SIA</i> <sup>48</sup>	21	
Measures for maternity	1665	3,25
Household allowance for employees	5420	10,57
Household allowance delivered by municipalities	n.a.	
Disability allowances	17204	33,55
Lay off	2090	4,08
<i>CIGO</i>	517	
<i>CIGS</i>	1374	
<i>extension of the above measures</i>	199	
Unemployment benefits	10437	20,35
<i>ASPI</i>	493	
<i>NASPI</i>	7492	
<i>mini-ASPI</i>	20	
<i>old unemployment schemes</i>	2432	
<b>TOTAL</b>	<b>51277</b>	100
Local authorities' expenditure on social assistance (2014)	6912	
Monetary transfers	1860	

<sup>48</sup> SIA was extended to the whole national territory only in September 2016.

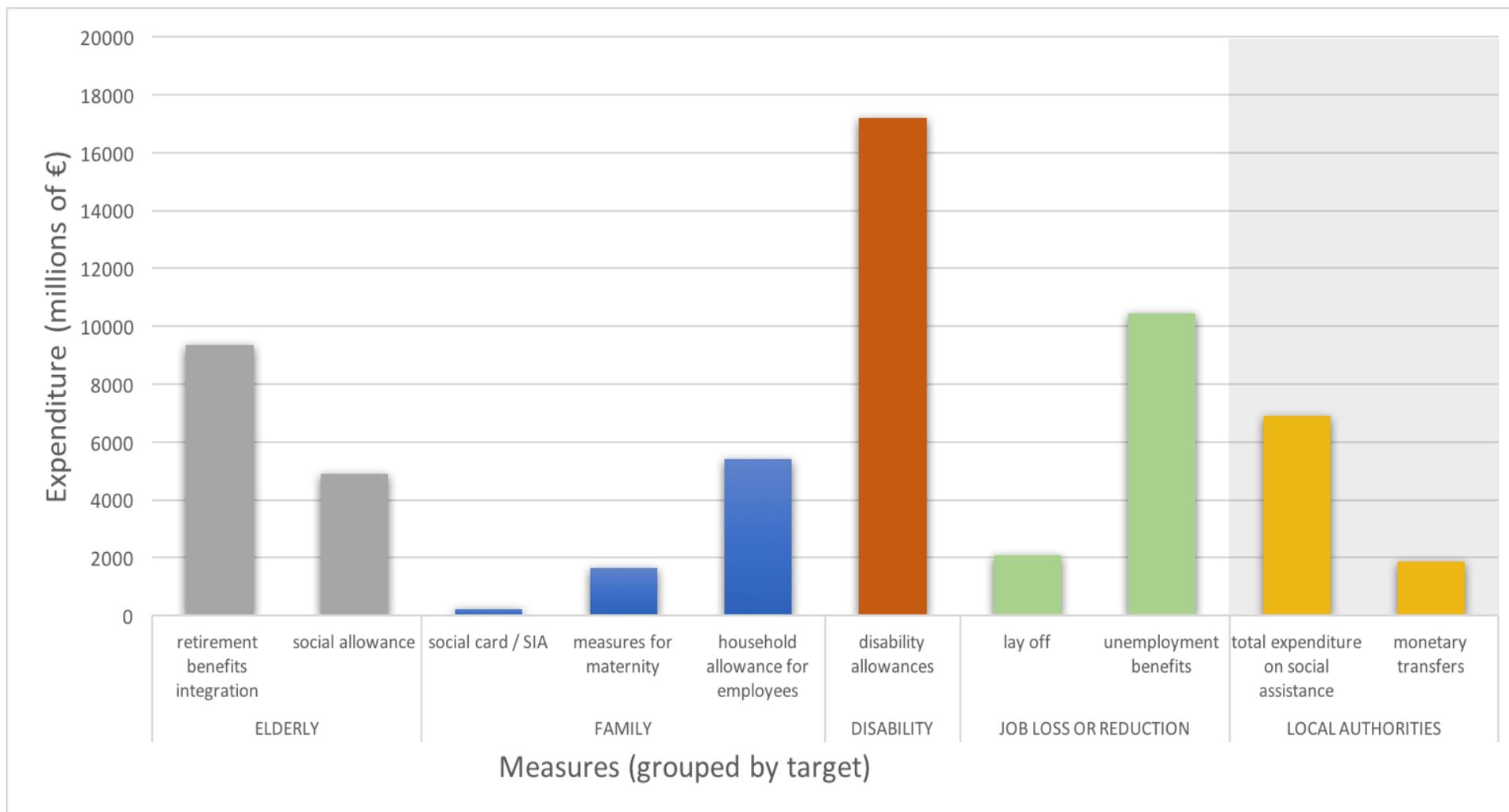


Figure 2. Expenditure on social assistance measures

As shown in Figure 2, social assistance expenditure is largely driven by disability allowances, unemployment benefits, retirement benefits integration and social allowances. All these measures are financed by the State budget, via general taxation, and managed/paid by INPS which provides for them through a dedicated, independent, account system (*Gias*). However, integration of wages for lay off (*CIGO*) relies mainly on contributions made by those who benefit from the treatment.

In addition to this, the expenditure at the local level should also be considered. According to law, regions and municipalities still play a prominent role in social services. In fact, they are directly responsible for a large part of the social services provision as well as of the social assistance scheme. They finance these services through local tax revenues, which are integrated by the State budget in case of funds inadequacy.

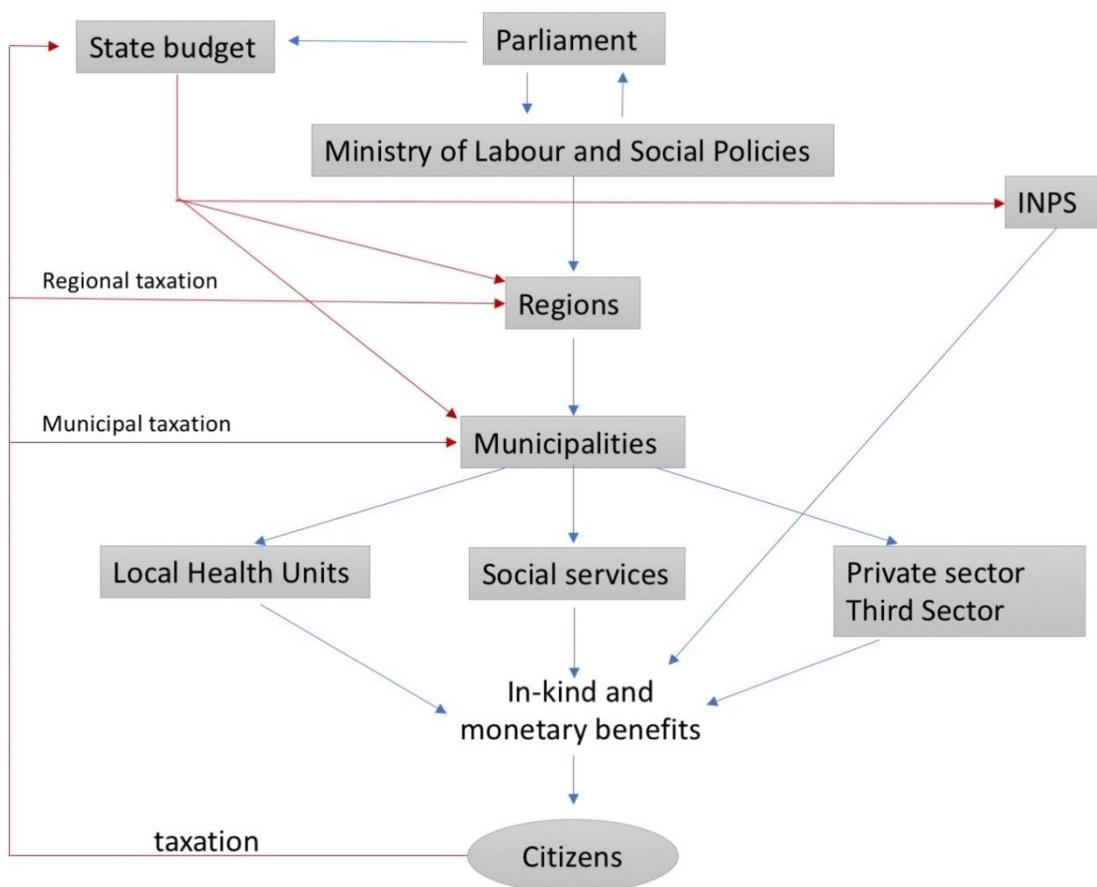


Figure 3. Social assistance governance

As reported in the national revision on social services and interventions delivered at the local level carried out by the Ministry of Economy and Finance and ISTAT, the total expenditure on social services and interventions at the municipal level was 6912 million euros in 2014. Monetary transfers alone amounted to 1860 million euros.

## 5. Integration of social assistance schemes and policies

Law 328/2000 establishes the essential governance framework for the integration of social policies and social services. In coherence with it the 2001 constitutional reform, it transfers the jurisdiction on social assistance to Regions, that are in charge of social policies programming, coordination and orientation as well as monitoring and evaluation. The State still has the responsibility to define the essential levels of social service provision (*Leps*). On the other hand, a key role is also given to Local authorities: while contributing to the regional programming process, they are responsible for service implementation by ensuring networking with non-state actors and a broad community participation.

Today the strategic planning system entails National, Regional and Local Action Plans.

- The *National Plan*, issued every three years, defines strategic objectives and programs, essential levels of social service provision (*Leps*), and general evaluation parameters. It also defines the regional distribution parameters of State budget resources.
- *Regional Plans* focus on integration and coordination of services.
- *Local Action Plans* coordinate at the local level monetary benefits, social services and health care delivery. They cover priority areas such as elderly people, disabled, families, children, migrants, poverty and social exclusion, addictions, mental health, with the aim to build on local capacities and resources and to distribute duties-roles-costs among different actors. Each *Local Action Plan* starts with an analysis of area needs, resources and challenges.

Some of the measures above described - namely, SIA and unemployment benefits - require specific coordination with municipal social services and employment services and other actors such as health services, schools and the no-profit organizations, in order to prepare personalized social and labour activation plans.

## 6. Classification of beneficiaries and alternatives methodologies to assess eligibility

In coherence with the objective of redistribution effectiveness of the Italian social assistance policy, except for unemployment, lay off and part of the disabled people benefits, all the above mentioned social assistance schemes are means-tested (either on income or ISEE). For most schemes, eligibility criteria are reassessed every year.

In particular:

- *Eligibility based on income*: social allowance, retirement benefit integration, household allowance (for employees) and all disability allowances (except for Attendance allowance)
- *Eligibility based on ISEE*: social card, SIA, maternity allowance (delivered by municipalities), new-born allowance, household allowance (delivered by municipalities), ASDI.

## 7. Benefit bundling, benefit traps and incentives to work

Considering the increasing restraints the Italian State budget experimented in the last two decades and the large impact on it of social security policy, as well of widespread inefficiencies, in the recent years a variety of adjustments have been introduced in social security policies with the aim to reduce deadweight effects through:

- the introduction of highly targeted policies - and fine tuning adjustments - even supported by means test procedures or coordination rules
- the gradual propagation in policy schemes of incentive compatible rules, aimed to reduce traps due to adverse selection and moral hazard
- the redesign of some governance mechanisms to counteract inefficiency coming from information asymmetries between national government responsible for budgeting-financing and local authorities responsible for implementation.

In most schemes, there is limited possibility to aggregate social assistance benefits. Some measures are mutually exclusive. For example:

- *SIA* is incompatible with unemployment benefits, and it is reduced for beneficiaries perceiving other social assistance benefits, proportionally to their amount.
- Disability allowances (except for the *incapacity benefit*) are incompatible with other disability benefits from social security.

In most cases, the duration of benefits is limited. Maternity benefits are based on the child's age (5 months for *maternity allowance*; 3 years for *new-born allowance*). Unemployment and lay off benefits are also time limited (*NASPI*: half paid work weeks in the last 4 years; *ASDI*: 6 months; *CIGO-CIGS*: 12 months). Furthermore, *NASPI* is progressively reduced starting from the fourth month.

To prevent eventual benefit traps, social card and *SIA* implementation consists of monetary transfers on e-vouchers which can be used only to pay for food and for housing bills, and to cover other specific household expenses.

*SIA* requires beneficiaries to adhere to personalized social and labour activation plans, organized by municipal social service office together with a wide range of other actors. These are based on a multidimensional evaluation of the household's needs and can include different aspects such as incentives to work, job training, education, health promotion service.

The same rules apply to *NASPI* beneficiaries, who must participate to labour activation plans and job retraining activities. Benefits can be revoked if the beneficiary declines a job offer or doesn't comply with activation measures.

## 8. Information platforms

Given the fragmentation and heterogeneity of the Italian social assistance system, one of the critical issues to improve policy efficiency is the availability of a general-updated data set of all implemented social measures.

In 2015 a unique social assistance database, managed by INPS has been launched, as part of a wider information system for social services (*SISS*). The objective is to provide a common platform for all social services (whether provided by INPS, municipalities or regions).

The database is still in its experimental phase. It comprises different data sets, depending on the type of social service: ISEE-dependent social services, non ISEE-dependent social services and multidimensional evaluation services (for families and children; disability; poverty).

Data can be provided with or without personal identification code (*codice fiscale*). Anonymous data is made available to the Ministry of Labour and Social Policy, regions and municipalities to enable programming, monitoring and evaluation of social policies. Service providers can access the complete data record related to each individual, in order to facilitate data gathering and verification of eligibility criteria.

## 9. Main challenges of the current policies, trends and future perspectives for reform

Regarding the future evolution of the social assistance policy, a nation-wide minimum income general scheme has been approved in June 2017. The measure is expected to become effective in January 2018 and will have similar characteristics as SIA.

As for the main challenges of current policies, experts agree on three main issues:

- policy fragmentation (even driven by the need to limit interventions and ensure policy effectiveness through highly targeted measures) which determines side effects as an increase of inefficiencies and moral hazard
- passive subsidiarity, with an unbalanced responsibilities and resources distribution among non-institutional actor, families and local authorities
- lack of information, which negatively effects policy implementation, to be solved only through the implementation of the unique social policy database

This is, of course, without mentioning the radical shift in social needs Italy is experimenting due to the large immigration flows and the effects this phenomenon is going to determine on the economy and society.

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## Annex 1

Social assistance measure	Eligibility	Benefits	Notes (conditions, time limit, ...)
<b>Social allowance</b> ( <i>Assegno sociale</i> )	non-pensioners over 65 years and 7 months old + income < 5.824,91 € (for a single person)	<u>monthly allowance</u> depending on the age of the beneficiary (minimum: 461 € in 2017)	- fulfilment of eligibility criteria is re-assessed every year
<b>Retirement benefit integration</b> ( <i>Integrazione al minimo delle pensioni</i> )	perceiving retirement benefits + income below a threshold defined annually by law (slightly above 60% of the average annual income).	<u>monthly allowance</u> integration of pension up to the minimum pension (501,89 € in 2017)	- The benefit is increased if the total income is below 30% of the average annual income. This increase is proportionate to the age of the beneficiary
<b>Social card</b> ( <i>carta acquisti</i> )	Age over 65 or child under the age of 3 + ISEE < 6.788,61 €	<u>e-voucher</u> 40 € per month (total amount cannot exceed 480€/month) for food or house bills	

<p><b>SIA</b> (<i>Sostegno all'Inclusione Attiva</i>)</p>	<p>Households with at least one disabled <i>or</i> underage child <i>or</i> pregnant woman + resident in Italy for the last 2 years + ISEE &lt; 3000€ + not perceiving unemployment benefits</p>	<p><u>e-voucher</u> from 80 € to 400€ per month (depending on the number of household components). Additional 80€ provided to households with a single parent or underage children.</p>	<p>- if the beneficiary perceives other social assistance benefits, the SIA benefit amount is either reduced of an equal amount or revoked (if benefits &gt;600€/month) - beneficiaries are compelled to adhere to a locally defined personalized plan for social and labour activation</p>
<p><b>Maternity allowance (delivered by municipalities)</b> (<i>Assegno di maternità dei comuni</i>)</p>	<p>Mothers with no social security benefits + ISEE &lt; 16.995</p>	<p><u>monthly allowance</u> 339 € (in 2016)</p>	<p>- time limit: 5 months after child's birth</p>
<p><b>New-born allowance</b> (<i>Assegno di natalità</i>)</p>	<p>Baby born or adopted between 1 Jan 2015 and 31 Dic 2017 + ISEE &lt; 25000€</p>	<p><u>monthly allowance</u> 80€/month (if ISEE &lt;25000) 160€/ month (if ISEE &lt; 7.000)</p>	<p>- ISEE must be renewed annually and eligibility checked - time limit: until child is 3 years old</p>

<p><b>Household allowance (delivered by municipalities)</b> (<i>Assegno nucleo familiare dei comuni</i>)</p>	<p>household with at least 3 underage children + ISEE &lt; 8.555,99€ (in 2016)</p>	<p><u>monthly allowance</u> 141,30 €/ month for 13 months a year (in 2016)</p>	
<p><b>Household allowance (for employees)</b> (<i>Assegno nucleo familiare</i>)</p>	<p>employees or retired + Income threshold annually defined by law</p>	<p><u>monthly allowance</u> benefit proportionate to household characteristics and special needs (annual revision by INPS)</p>	
<p><b>Incapacity benefit</b> (<i>Pensione di inabilità per invalidi civili</i>)</p>	<p>Age between 18 and 65 years old + Certified disability 100% + income &lt; € 16.532,10</p>	<p><u>monthly allowance</u> defined annually by INPS for each disability category</p>	<ul style="list-style-type: none"> <li>- compatible with the attendance allowance</li> <li>- compatible with disability benefits from social security</li> <li>- after 65 years and 7 months old they are replaced by the Social allowance</li> </ul>
<p><b>Assistance allowance</b> (<i>Assegno mensile di assistenza</i>)</p>	<p>Age between 18 and 65 + Certified disability 74%-99% + unemployed + income &lt; 4.408,95 €</p>	<p><u>monthly allowance</u> defined annually by INPS for each disability category</p>	<ul style="list-style-type: none"> <li>- compatible with the attendance allowance</li> <li>- not compatible with any disability benefit from social security</li> <li>- after 65 years and 7 months old they are replaced by the Social allowance</li> </ul>

<p><b>School attendance allowance</b> (<i>Indennità mensile di frequenza</i>)</p>	<p>Underage + Disability: impaired hearing or anyway unable to perform daily tasks + income &lt; 4.408,95 €</p>	<p><u>monthly allowance</u> 279,47 € (in 2017)</p>	<p>- Conditions: beneficiary must attend educational facilities and rehabilitation facilities</p>
<p><b>Attendance allowance</b> (<i>Indennità di accompagnamento</i>)</p>	<p>Certified disability 100% in need of continuous assistance (i.e. unable to move) + not benefiting from free assistance in any long term care facility</p>	<p><u>monthly allowance</u> 512,34 € (in 2017)</p>	<p>- <b>not means tested</b> - not compatible with any disability benefit from social security - a person with 2 different disabilities (es. blind + deaf) can perceive both allowances</p>
	<p>Blind: total and partial blindness</p>	<p><u>monthly allowance</u> 911 € (in 2017)</p>	
	<p>Deaf and dumb</p>	<p>monthly allowance 256€ (in 2017)</p>	

<p><b>NASPI</b> <i>(Nuova assicurazione sociale per l'impiego)</i></p>	<p>Unemployed + Beneficiaries must have been employed at least 13 weeks in the last 4 years and 30 days in the last year.</p>	<p><u>monthly allowance</u> 75% of former income. After 4 months, benefit amount is reduced of 3% every month.</p>	<p>- duration limit: half the weeks of paid work in the last 4 years. - Conditions: participation in personalized activation plan</p>
<p><b>ASDI</b> <i>(Assegno di disoccupazione)</i></p>	<p>Former NASPI beneficiaries who failed to find a job after NASPI expiry + with family with at least one underage child <i>or</i> over 55 with no retirement benefit + ISEE &lt;5.000</p>	<p><u>monthly allowance</u> 75% of NASPI</p>	<p>- time limit: max 6 months - Conditions: beneficiary must participate in personalized activation plan</p>
<p><b>CIGO</b> <i>(Cassa integrazione guadagni ordinaria)</i></p>	<p>employees whose wage has been reduced or withdrawn due to temporary events for which the employer is not responsible (i.e. market crisis; natural events; strike; ...)  <i>Industrial sector and building sector (edile)</i></p>	<p><u>monthly allowance</u> integration up to 80% of the retribution for the hours of work lost (calculated weekly)</p>	<p>- time limit: max 12 months - maximum monthly integration: 971,71€ (if original wage &lt;2102,24€) or 1167,91 (if original wage &gt;2102,24€) - integration is not perceived in working days; it is revoked if working activity is taken up without notifying INPS</p>

<p><b>CIGS</b> <i>(Cassa integrazione guadagni straordinaria)</i></p>	<p>employees whose wage has been reduced or withdrawn due to temporary events for which the employer is not responsible (i.e. reorganization of the business; crisis of the business; ...)</p> <p><i>Industrial sector and building sector; and larger enterprises working in business services (i.e. commercial, transport, ...)</i></p>	<p><u>monthly allowance</u> integration up to 80% of the retribution for the hours of work lost (calculated weekly)</p>	<ul style="list-style-type: none"> <li>- time limit: from 12 to 24 months (depending on the causes)</li> <li>- maximum monthly integration: 971,71€ (if original wage &lt;2102,24€) or 1167,91 (if original wage &gt;2102,24€)</li> <li>- integration is not perceived in working days; it is revoked if working activity is taken up without notifying INPS</li> </ul>
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## Policy Recommendations of Promoting the Construction of Social Assistance Coordination System

Jiang zhen

In order to improve the social assistance system it is necessary to improve its coordination mechanisms. The key is to effectively reduce information asymmetry between different management units, to jointly promote cross-sectoral coordination, financial coordination and information coordination

### **i. Clarify the functional orientation of various social assistance schemes and promote the social assistance system as a whole**

The social assistance system must be seen as a mean to reach a given value goal. An ideal society is an organic integration of vitality, fairness and justice. It is therefore necessary to encourage its members to actively meet the needs of good life through their own labour, and to make the social vulnerable groups enjoy the basic right of survival and development.

Therefore, in designing the overall framework for the implementation of a Social Assistance Coordination System, we must make clear that the system should ensure to the vulnerable groups the basic needs life and encourage them to maintain enthusiasm and self-reliance.

**The policy design must distinguish between two different groups: the group with sufficient labour capacity; in this case the focus should be on employment assistance and the development of abilities; those with no labour capacity; in this case the system should insure them basic living conditions.**

For the group with a sufficient capacity to work, priority should be given to help them to find a job and reduce their dependence on social assistance. This approach can be part of a national employment policy, aimed to revitalize labor supply through employment assistance schemes, and the establishment of a different management model of dibao. We should carry out career counseling and vocational training activities, set up public welfare jobs, so that the people in vulnerable groups can get rid of poverty through their ability to work.

For the Dibao groups with ability to work identified through regular checks, assistance should be progressively decreased, in order to reduce welfare dependency raise their enthusiasm. In the management of Dibao, it is necessary to take "whether to include employment assistance" as a precondition, and to minimize the group with the ability to work to enter the Dibao. It will carry out unified education and training for the object of employment assistance, which is consistent with the direction of employment. For the Dibao groups for a certain age, it will require the relief period, asking them up for only a year or two low premiums and it is stipulated that they can only receive Dibao for one year or two years continuously, then they have to get a job. If he is unemployed again, he can reapply it, but the accumulative time for the Dibao in this age cannot be more than a certain period. We encourage the Dibao target to take the initiative to accept employment assistance and we should establish and improve the mechanism of gradual withdrawal after the employment of Dibao groups, increasing employment incentive factors in Dibao. For example, the Dibao groups can continue to enjoy the Dibao for a period of time after the employment assistance. In addition, some

of the origins of poverty are rooted in the unfairness of the starting point of the capacity for development. For example, if a member is full of labor ability, but lives in a remote area, it is difficult to see the "sunshine" of modern civilization. It may be difficult to talk about the ability of self-development. Therefore, we can take the way of employment assistance to encourage them to come out and actively integrate to the modern society to solve the problems of survival and development.

**Second, to strengthen the effective link between social assistance and other social security systems.**

Dealing with the functional division of labor between social assistance, social insurance and social welfare. At the same time, we should pay attention to the balance of the three parties in the scope of coverage, the level of security, the transition of cohesion and so on. Social assistance is the social system of poverty relief, the social insurance is the system of anti-poverty, and the social welfare is the system of higher level and the improvement of the quality of the national life. In the social security project priorities, it will format "insurance first, followed by social welfare, and assistance in the end" pattern.

**Third, to combine the comparable and highly similar relief policies, to offer categorized assistance in accordance with specific vulnerability, and eventually to achieve a constantly perfecting social protection system.**

It is meaningful to study on the revision of the relevant administrative regulations, e.g., Interim Measures for Social Assistance, and to virtually disconnect the special reliefs from the subsistence support. Social assistance could be provided with a variation in benefit levels and coverage, rather than merely a surplus on the Dibao benefits. For the inclusion of Dibao groups, on the basis of comprehensive consideration of the level of insurance, assistance, welfare and so on, We integrate all kinds of policies and measures that they can enjoy and increase in support properly. For the group whose per capita income is higher than the standard of Dibao, but belongs to low income family (generally 1.5-2 times the standard of Dibao), we can give them the corresponding special assistance policy measures, according to its actual needs. Pay attention to the aid of the "expenditure type" poor families. The "expenditure type" poor family means the income level is higher than that of the Dibao low-income families. However, due to the serious illness, children's schooling and emergencies, family rigid expenditure is too large, far beyond the capacity of the family, so living standard is lower than the standard of Dibao and cannot be changed in the short term. During this period, the family is often more difficult than the Dibao group, and the ability to resist risk is very weak. For this group, we should take full account of its income and rigid expenditure and take care of it according to the needs and financial resources of the government. In a word, the existing institutional system will convert the "cliff mode" into the "slope mode" instead.

**Fourth, to establish a unified social assistance system in urban and rural areas, and to promote the integration of urban and rural society.**

To eliminate the differences in the level of social assistance to the people in urban and rural areas, and to merge the Dibao funds in urban and rural areas. A unified fund raising, and management method is adopted to achieve the unified unification of urban and rural standard of Dibao, and urban

and rural co-ordination and social harmony can be promoted. In addition, in view of the current situation of urbanization and labor force regional mobility, we pay close attention to household registration system reform, land expropriated farmers and migrant workers' requests for social assistance and explore effective assistance measures. We should also pay attention to the co-ordination of the responsibility of social assistance between the inflow and outflow of labor. Generally speaking, social assistance is a local responsibility, but for the labor input City, the pressure of the migrant workers is large. For the relief of floating population, for example, for the salvation of vagrants and beggars, the central government should shoulder some responsibilities for the expenditure, and the central government increase financial aid to the population floating urban migrants.

**Fifth, to specify the respective functions of social assistance and poverty alleviation programs and to promote the coordination in targeting benefit recipients and setting benefit standards.**

The relief policies also apply to those able-bodied beneficiaries who therefrom will have the capability to get out of poverty; whereas those with no or limited employability will be secured that they can always fall back on Dibao benefits. The departments responsible ought to establish reasonable benefit standards according to the local conditions, ensuring the integration between them and the poverty alleviation standards, and see to it that eligible Dibao beneficiaries are properly filed and entitled to various preferential policies. While providing reliefs, it is advisable to stick to the principle of appropriate assistance, “to save the poor, not the lazy”, and to coordinate the relief arrangements, “blood transfusion”, with the poverty alleviation effort, “hematopoiesis”. For the vulnerable people with or without working abilities, there is variations in the relief they are entitled to. The moderate assistance can give a boost to self-reliance, either self-employed or finding jobs independently.

**Sixth, to clear the function of the government and the society in the field of social assistance.**

It will make full use of the way of government purchasing service to support the social organization to improve its service ability, especially the construction of social organization at the grass-roots level. We should encourage social organizations and social workers to compete under the premise of fairness, openness and impartiality and the government appropriated the amount, quality and performance of the service. We should further refine the government's Guiding Catalogue of purchasing services to social forces, expand the scope of purchase services, standardize the purchase process, increase the intensity of purchase services, guide social forces to provide social assistance services, and participate in social assistance management. The government encourages social organizations to provide social integration, enhance the ability, psychological counseling, post excavation and other professional services for social assistance object, expand the connotation of social assistance, and actively promotes the transformation of social assistance to the combination of funds and material support, living care services and psychological counseling. In addition, it is necessary to use the market force to supplement the flexible and diverse needs. For example, the loss of single family, widowed elderly. For those, it is biased only by taking income as a measurement standard. For such groups, it is also necessary for the government to encourage social organizations to provide life care, home service, rehabilitation nursing and spiritual comfort.

**Seventh, the division of the responsibility of social assistance and expenditure responsibility should stimulate the enthusiasm of the governments at all levels.**

Social assistance is a national basic public service category and it needs to take family income verification as support and protect people's basic life as the goal. Therefore, the social assistance should belong to the central and local common responsibility, and the local government has a clear information symmetry advantage compared with the central government. For the central government, it should be responsible for the planning of the overall social assistance system and providing guidance for the formulation of the basic standards for social assistance in various regions. The provincial government is responsible for providing the basis for the central government's planning and standard setting. And according to the financial condition of the local area, it should appropriately raise standards on the basic standards. City and county are responsible for the survey of household income and verification. In terms of expenditure responsibility, the central government, the provincial government and the municipal and county governments should be shared by a stable proportion, for example, according to 2:3:5. On this basis, the index evaluation system for the capacity of local finance at all levels is set up, especially the assessment of the financial capacity of the city (county). According to the results of the assessment, it is the basis for the "sharing" of the responsibility of the intergovernmental social assistance expenditure. If city and county governments have difficulty in bearing the basic standards of financial resources, the central and provincial governments can solve them through transfer payments. In addition, the central government can take the subsidy way of "reward instead of subsidy", give rewarding subsidies to the provincial, municipal and county governments which carry out better social assistance work.

**ii. To focus on budget management and to enhance the coordination of social assistance funds.**

The co-ordination of the fund for social assistance is rooted in the decentralization of the functions of the Department. It is difficult for different departments concerned to communicate with other departments in the case of information asymmetry.

**First, the premise of fund planning is to formulate appropriate budget expenditure standards as the basis for the preparation of social assistance budget. In a word, it takes the budget as the basis and pillar of the integration of social assistance functions and the division.**

Behind the co-ordination of funds is the co-ordination of the functions of the government. In the present short term, the social assistance Department is difficult to unify. It is no doubt a more realistic choice to seek the system integration of the social assistance function and to promote the co-ordination of funds accordingly. The establishment of financial support mechanism matching and linking with factors such as economic development and financial revenue, should be based on National People's Congress(NPC), and make overall design of social assistance functions of various departments according to functional objectives. Then the NPC determines the functional orientation and task division of the departments in the overall design and gives the overall design to the financial sector. The financial sector and relevant departments communicate with each other to determine the allocation plan for different sectors. Finally, the financial sector will feedback the evaluation results of performance objectives to the legislature in the way of ex post evaluation, which is the basis for the next stage of fund co-ordination. In the overall design and the allocation

of funds, the Central Committee gives guidance to the basic standards in accordance with the requirements of the Intergovernmental division of expenditure. According to the economic and social development level of the region and the actual needs of social assistance, all regions should take full account of the cost of living and set up the standard of expenditure that is suitable for the local financial level. To avoid repeated assistance efforts from different agents, a feature-database is established for benefit claimants, and the relief programs give priority to those factors more significant in value. All these contribute to formulating a standard institutional system to guarantee the fiscal assistance of social security programs.

**Second, to start with coordinating the funds for the vulnerable people's subsistent needs, then to accelerate the overall integration of the social assistance funds, and to gradually expand the scale of social assistance funds coordination and integration.**

Presently, the central government has integrated the minimum living standard guarantee, living support for the extremely poor population, and temporary assistance, and formulated basic livelihood support for the poor and vulnerable; thus, it is unnecessary to distinguish the funds in respect of budget allocation, funds transfer, and relief resources utilization. The central government will motivate the local authorities to coordinate and integrate the three assistance funds for basic living support, adjust and perfect the evaluation norms for the local government's performance in social relief programs. Their contribution to the coordination of assistance resources, for example, relief fund, will be taken as an important indicator in the performance evaluation system. It is a key reference for fund allocation and will be more and more influential. Consequently, it is feasible to gradually coordinate and integrate more social assistance funds. The funds in charge of civil affairs department should be gradually integrated and then allocated to the local authorities. Based on the practical experience from the pilot project about the coordination of agricultural funds, the social assistance funds that are scattered between many departments can be categorized, coordinated and integrated. In the future, when it comes to the adjustment of the standard of Dibao, the above-mentioned contents should be considered as a whole, and the reasonable standards should be determined. Expenditure is fully under the authority of one department and cannot be also managed by other departments.

**Third, to scrutinize overlapped relief in verifying the management of the social assistance budget. It is advisable to set up specified budget management procedures and to establish a mechanism to manage the budgets in accordance with the assistance information categorized on the basis of natural and man-made factors. It's vital to have a thorough check to screen out the relief objects who are entitled to overlapped benefits from different departments.**

Starting from the budget management and taking full advantage of big data and cloud computing techniques of modern information technology, it is possible to conduct a reasonable comparison between the benefit recipients in every department. With the verification, overlapped assistances are to be examined, and the integration process of social assistance funds will also be accelerated. In addition, the same and similar assistance funds will be used to break the restrictions on the longitudinal strip and carry out a horizontal integrated merge. We should unify the fund-raising management, the establishment of the social assistance fund "the reservoir". According to the distribution, it is drawn from the "reservoir".

**Fourth, to enhance the guiding role of fiscal budgets, and to push forward the coordination of the social assistance funds, since the financial department, as the comprehensive administrative sector, enjoys great privilege in information and resources for budget management and financial coordination.**

Since local financial department provides service to a limited population and has advantageous access to information, it can foster efficient integration between various functional departments, and take a leading role in the coordination of social assistance funds and different programs. The central financial agency may well put forth a new policy to grant rewards instead of offering subsidies. It may also encourage the local government to initiate pilot projects and experiment programs and give priority to those areas more efficient and intensive in the integration process when making decisions about resource allocation.

**Fifth, strengthen the integration and co-ordination of the social assistance transfer payment of the central government.**

It is suggested that the central government first integrate the social assistance funds related to civil affairs, change into the general transfer payment. In the case of mature conditions, other social assistance funds will be integrated.

**Sixth, establish the performance evaluation mechanism according to the mode of financial coordination.**

The first is to set up an overall coordination performance goal. Then it will design evaluation index system according to performance goal. The third-party expert system is introduced to establish the performance evaluation mechanism of social assistance funds as a whole and to evaluate the effect of policy implementation regularly. We will take the evaluation results as an important basis for the construction of the overall social assistance system and link the evaluation results with the allocation.

**iii. To construct a uniform information platform and to enhance the coordination of social assistance information**

The technological revolution has made great changes in the mode and pattern of the social and economic operations, and we have now entered the stage of the intelligent society. The essence of the continuous breakthrough in information technology is to release the flow and use of data. Data become the core production factor of the intelligent society. Conforming to the trend of the intelligent society, constructing the social assistance information platform is the important direction and content of the future reform.

**First, to promote the construction of the hardware and software platform facilities of the large data base of social assistance and build a central level social assistance cloud platform.**

In an intelligent society, the ability to collect, connect, manage and apply the information data supporting intelligent analysis has become an important emerging infrastructure. To see the social assistance information system is not only a matter of social assistance, but it is likely to face this

problem in all fields. Moreover, at present, economic and social activities are characterized by mobility, cross regional and multi-channel characteristics. The income identification and property identification of difficult people need to rely on a unified and cross sectoral information sharing mechanism. Therefore, to promote the large data base platform of software and hardware infrastructure, data exchange and circulation channel integration, improve the construction of e-government database, to enhance the administrative data concentration and data quality, realize the sharing of information, strengthening the development and application of large data base, will become the inevitable choice. The function orientation of the central level social assistance cloud platform is to configure and excavate the open data sets of provincial governments and various ministries through investigation, combing and warehousing, to explore the interoperability, interconnection, opening and sharing of data, such as urban and rural planning, employment, social assistance, medical and health, and service for the aged. In depth, data resources are excavated to improve the government efficiency and improve the satisfaction of the masses.

**Second, to establish an information platform of big data that relies on the provincial administrative unit and is unified and inter-related with each other.**

The function of the provincial information platform of big data is to make use of the advantage of the territorial information, to realize the "one interface" of social assistance, and to verify the "one database". It is recommended to formulate a series of regulations which require us to collect and categorize the social assistance information in terms of each benefit claimant, to rely on the ID number to categorize the relevant social assistance information, and to integrate all the information related to the ID number, including data on consumption, assets, family members. We will build an information system for cross interconnected, vertical interworking social assistance services and build an information platform for interconnected, transparent and shared household economic conditions. The management departments ought to integrate and compare the information that involve different departments, keep expanding the big data platform by adding relevant information, and create a mechanism for the evaluation and comparison of the relevance between the social assistance information and the relevant information. First, to build a coordination platform for social assistance to achieve full participation in the all departments. All the contents are covered and the information is fully shared. Second, to achieve all social assistance transactions through a service system approval and realize the all-round network management of social assistance. Third, to build a cross sectoral, multi-level, information sharing application for the family economic situation verification information platform.

**Third, to improve the efficiency in collecting and categorizing the information about the third parties.**

It is desirable to collect the beneficiaries' information concerning the third party. We may enhance timely exchange of all the information that is relevant to ID; i.e. information in the network system concerning financial institutions, industrial and commercial administration, investment, social security, household registration management, property management, civil affairs, health, education, etc. Even the related consumer information of electronic commerce, such as Taobao and Jingdong, can be transferred to the information platform of big data in time. We should establish a hierarchical,

multi class, efficient and flexible household income check operation mechanism, and comprehensively carry out the application for family economic status verification.

**Fourth, to enhance uniformity in the cross-sectoral coordination, policy coordination, information coordination and fund coordination on the basis of information concentration.**

In a short term, when we realize the goal to have a cross check of the information about the household economic status of social assistance recipients, it becomes possible to make decisions about relief arrangements through consultation, to communicate with each other regularly, and to manage the relief projects precisely. It is important to discriminate the specific difficulty of each applicant and determine the degree of difficulty, and to formulate a comprehensive relief plan specifically for that individual. Thus, by taking advantage of the information technology, we can provide assistance to meet the needs precisely, complement each other in practice, and coordinate the relief resources. In the long run, we can rely on modern techniques to break the cross-sectoral bulwark and utilize the big data to integrate the data of social resources in the charge of different departments, social organizations, and charity groups. This will enhance the provision of assistance resources and the integration between assistance information and assistance needs, so as to achieve better communication and to avoid repeated assistance or aid missing. In addition, we should pay more attention to the connection and interconnection of the social assistance and the management of the poverty alleviation information system. In the near future, the information system of the Dibao and poverty alleviation is interconnected, and the dynamic management of the two types of objects is strengthened, which is included in the public scope of government information. In the long term, we can explore and apply big data tools to integrate the social assistance and poverty alleviation information data of civil affairs departments and poverty alleviation departments and transform "information island" into "integrated information base".

**Fifth, to combine the conventional approaches and modern techniques in the application of social assistance. The applicant can choose from mailing the application form, applying online, by phone, or on spot. The information will be concentrated and managed by “one window”.**

The integrated information platform serves as the window in this process, and answers for all the issues about the relief work financially supported by the government. This single window stands for “the uniformity in application, approval, distribution and management”.

**Sixth, the social assistance information is incorporated into the social credit mechanism to improve the cost of the noncompliance of the law.**

The relevant laws and regulations should be perfected and the illegal acts such as forgery, false declaration and salvage are recorded in the personal social credit files. Once the credit record has been tainted, the acceptance of education, medical, financial, transportation, and even buying a car will be affected, greatly raising the cost of the law. In this way, the incompatible persons are reluctant to violate the rules, dare not violate the rules and ensure that the resources of social assistance are not occupied.

**Seventh, to strengthen the information Legislative Research on social assistance.**

Information sharing is not only an administrative act of a single department, but also an important measure to guarantee the rights and obligations of civil rights. Therefore, we need to standardize the collection, sharing, flow and utilization of departmental information from a legal point of view, speeding up the construction of the social assistance information system from the legal level.

**iv. To rely on joint conferences or policy integration and to promote coordination among the social assistance departments**

It is of significance to borrow experience of pilot work in some localities, and gradually enhance the establishment of joint conferences or coordinated management mechanism for the social security program. The better advantageous areas should be encouraged in their exploratory effort for function coordination, and they can create an integrated managerial agency for social security work. When the fragmentation between departments comes to an end, it is possible to eventually form joint forces in the utilization of social relief resources. Gradual reforms of institutional system and management mechanism is more advisable since it will contribute to the realization of “uniformity” in social assistance program management as well as the perfection of the mechanism --- “one department’s undertaking and multi-sectoral cooperation”.

**First, based on the "system integration" of social assistance goals and functions, we set up a set of inter departmental coordination mechanisms, namely, target integration, top-down, clear division of labor and effective implementation.**

As is stipulated in *The Interim Measures for Social Assistance*, “governments at or above the county level ought to try their utmost to develop this mechanism to perfection, and to establish and improve the mechanism for social assistance coordination that highlights the leadership of the government, and in which the civil affairs departments take lead, the relevant sectors cooperate, and various social forces participate in”. The governments at or above the county level should make efforts to improve the mechanism, establish a management mechanism for the civil affairs departments to coordinate the work of other departments. The purpose of interdepartmental management mechanism is not only for horizontal connection, but also for coordinating some social assistance work, but for system integration based on social assistance goals and functions. By establishing a joint conference system of social assistance department, which is composed of several related departments, such as civil affairs, finance, people's Association, Health Planning Commission and other related departments, the central government's leaders will take the lead and regularly hold joint departmental meetings. It should determine the integration objectives, assign tasks, and preside over the performance evaluation of the follow-up work, and actively study the outstanding problems in the social assistance work.

**Second, to create categorical coordination mechanism, to settle the problem of multiple management in social assistance arrangement, and to contribute to the “uniformity” of social assistance efforts between the different government sectors.** Individual managerial department of social assistance programs should establish a categorical mechanism for supervision, so as to overlook the general condition of the routine assistance work, examine the effectiveness of the implementation of categorical assistances, and to incorporate those social assistance programs that have similar functions. It is also responsible to publicize information about assistance legibility,

benefit standards, application procedures and the potential recipients, at the same time it accepts the supervision from the general public.

**Third, to reinforce the construction of a comprehensive agency responsible for social relief work and to lay a strong organizational foundation for financial integration.** It is recommended to take advantage of the working platform set in correspondence to “one department’s undertaking and multi-sectoral cooperation” or a window open to the public that offers comprehensive services. Subsequently, a perfectly coordinated organization that offers services as social assistances will be established and improved; the coordination of cross-sectoral social assistance programs will be enhanced; and assistance information and service will be shared and converged. On this basis, it establishes a assistance information system, opens a assistance service hotline, and sets up an admissible window. It can effectively reduce the repeated cross aid and minimize the overlay relief.

## Policy Recommendations.

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## Acronyms

CPC	Communist Party of China
EU	European Union
EUCSPRP	EU-China Social Protection Reform Project
IT	Information Technology
MHRSS	Ministry of Human Resources and Social Security
MoCA	Ministry of Civil Affairs
MoF	Ministry of Finance
PEM	Public expenditure management
PFM	Public financial management
SSBTEK	Swedish information platform for social assistance
Suwinet	Netherlands information platform for social assistance
ToRs	Terms of Reference
UVW	Employee Insurance Agency (Netherlands)

## Introduction

### Context and issues

In recent years, the Chinese system of social assistance has progressed rapidly. The promulgation of the Interim Measures on Social Assistance (2014) has represented a fundamental step that has determined better integration of funds and institutions, promoted better coordination among departments and the rapid development of means-test procedures, as well as the identification and check of the beneficiaries. However, a notable level of fragmentation still exists and the 3rd Plenary Session of the 18th CPC Central Committee has stressed the need to pursue and fully realize the modernization of the governance system and the governance capacity of the country.

The Ministry of Finance (MoF) underlined some of the main problems that affect the expenditure performance of the Chinese social assistance system, hence challenging poverty alleviation effectiveness:

1. In the first-place connection and coordination among schemes are insufficient and the resources devoted to social assistance are too scattered, which leads to a sub-optimal articulation between programs and policies, and results in the use of social assistance funds less effectively than desired
2. The management of the system needs improvement
3. The sharing of information and resources among departments is not adequate
4. Multi-departmental overlapping and missed delivery of benefits co-exist in the system in relation to these problems,

MoF listed the following challenges to be considered as a priority:

- I. Optimize institutional design and coordinate social assistance resources
- II. Strengthen the integration and coordination of social assistance funds
- III. Standardization and scientification of Social Assistance and increase of protection level in line with socioeconomic development
- IV. Establish positive incentive mechanisms
- V. Establish mechanism to promote a reasonable balance of responsibilities among the state, society, and individuals
- VI. Construct information sharing platforms and strengthen the mechanisms to check information

The issues identified in previous studies included the following themes:

- The integration of social assistance schemes and policies

- Coordination of social assistance with other social protection schemes and poverty reduction programs
- Classification of beneficiaries and alternatives methodologies to assess eligibility
- Integration and coordination of funds
- Benefit bundling, benefit traps and incentives to work
- The role of central and local government in: financing social assistance, assessing eligible beneficiaries, and allocating social assistance funds
- Information platforms.

These issues were discussed in detail at a Panel Discussion held on 29 August 2017<sup>49</sup>. On the basis of the discussions at this workshop and subsequently, the policy recommendations will focus on four main themes: co-ordination of policies, services, finances and information platforms. These issues are discussed in detail below. This is not to say that there are not other important issues for reform in the social assistance system but these areas were identified as those where EU experience would be most relevant in a Chinese context.

## Our approach

The ToRs refers to a study of ‘best practice from the EU’. However, development partners have highlighted the importance of adopting a political economy perspective in considering how best to influence the development of national policies. Based on policy work, the World Bank (Fritz et al., 2014) has argued against the idea that similar approaches across a broad range of different environments can simply be replicated based on ‘best practices’. At the same time, the authors accept that there is a considerable resemblance among the political economy challenges encountered across a range of countries and sectors. They argue that there is a need to strike a balance between advising only on ‘international best practices’ and following the preferred institutional solutions of local stakeholders; and that solutions need to be designed to be sufficiently robust to survive political pressures.

Thus, it is proposed that more attention should be given to ‘good fit’ rather than ideal models of ‘best practice’ which may not fit the national context. While the semantics are not important, the basic message is critical in considering how best to apply the international lessons identified in this report to the Chinese context. Accordingly, in this report, we present examples of practice from the EU experience but highlight the need for the Chinese authorities to adopt those practices which represent a ‘best fit’ in the Chinese social, economic and administrative context.

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<sup>49</sup> In addition to representatives of EUCSPRP and MoF, participants included a number of EU experts and Chinese experts and provincial representatives

## Recommendations

### 1. Policies

Amongst the issues identified in Chinese national reports (Jiang, 2017; Zhang, 2017) and in discussions at the workshop are:

- Co-ordination with social security policies (safety-net scheme, data-sharing, etc.)
- Co-ordination both within the Chinese social assistance scheme (between different types of social assistance) and between social assistance and other related policies, such as the poverty reduction [functional segmentation]

First, we look at co-ordination with social security policies. This is essential in order to ensure that policies to provide income support to Chinese citizens are coherent (e.g. to ensure that social security policy is not providing incentives for one form of activity while social assistance is providing opposite incentives) and to ensure that implementation can be carried out in a coherent and consistent manner.<sup>50</sup> In the EU, some countries address this issue by having one Ministry responsible for both social security and social assistance policies (e.g. UK, Netherlands). However, others - like China - have separate Ministries responsible for the two policy areas.

In general, in the EU, social assistance schemes act as a residual or ‘safety-net’ scheme for those who do not qualify for the main insurance-based social security schemes. Thus, in EU countries, it is often a requirement of applying for social assistance that a person has already claimed any relevant social security (insurance-based) benefits;<sup>51</sup> and income from social security benefits is generally taken into account as part of the social assistance means test (MISSOC, 2011; 2013).<sup>52</sup> Thus EU countries mainly address the issue of integration with other social security schemes in this manner.

It is suggested that a similar approach could be taken in a Chinese context. This might require specifying in law that persons claiming social assistance should first claim any entitlements to Chinese social security benefits (or other legal entitlements) and to ensure that any social security benefits are taken into account in a consistent and coherent manner in the assessment of entitlement to social assistance.

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<sup>50</sup> One example of divergence in a Chinese context is a lack of co-ordination between medical assistance and medical insurance (Zhang, 2017, p. 23).

<sup>51</sup> For example, in Ireland the authorities may require a claimant of the basic social assistance payment to make a claim for ‘for any statutory or other benefits or assistance to which the person may be entitled’.

<sup>52</sup> In terms of the means test, according to MISSOC data (MISSOC, 2013) most EU countries take the household/family income into account for the purpose of determining the claimant’s means. The details of this vary from one country to another. “Family members” include the spouse, and, in some countries, the partner under a civil partnership or any cohabiting partner. The income of children of the claimant is also treated in different ways in different countries. Some countries disregard them (e.g. Sweden), while some take them into consideration under certain age criteria (e.g. Netherlands).

In a Chinese context, this would also involve increased co-ordination between MoF, MoCA and MHRSS in relation to the development of social security and social assistance policies to ensure that they form a coherent approach. Equally, such co-ordination needs to take place at all levels of governance both in relation to the development and implementation of policy, for example, within MoF between the departments responsible for social security and social assistance, and at local government level between the bureaus of finance, civil affairs and human resources, and social security.

In implementation, the development of an IT platform, discussed in more detail below, would allow closer co-operation and a more integrated approach. In the EU, social assistance agencies increasingly share data with other key social security agencies to ensure integrated administration of benefits through systems such as Suwinet (Netherlands) and SSBTEK (Sweden). These information platforms for social assistance are linked to the databases of pensions and social insurance agencies to ensure that data can be exchanged and verified.

**Policy recommendation:** *MoF should work with MoCA and MHRSS to ensure close co-ordination of social insurance and social assistance policies, in particular by ensuring that the social assistance operates as a ‘safety net’ scheme where persons are not entitled to social insurance benefits. Information platforms used by social security and social assistance agencies should be integrated as far as possible at all levels of government so that real-time data sharing is possible. In addition, the relationship between rights to social assistance and social security benefits should be specified in legislation.*

Co-ordination within the social assistance scheme (between different types of social assistance) and between social assistance and other related policies is a complex issue which requires a detailed knowledge of national and local administrative structures. One approach, which has been developed in EU countries is ‘joint commissioning’ of services. Commissioning is defined as a strategic approach to assessing needs, resources and current services and developing a plan of how best to use available resources to meet these needs. Where a number of different agencies are involved, commissioning is carried out jointly. This can involve, for example, one agency (in China perhaps the bureau of civil affairs) being the lead agency with a pooled budget. This allows a single view of priorities and shared resources but requires mutual trust between the agencies involved (see Bamford, 2001; Dickinson et al. , 2013 for the UK experience).

In the context of the general move in China to ‘contract out’ more services to social organizations,<sup>53</sup> joint commissioning could be used as one method to improve the co-ordination of policies between different agencies at a local level.

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<sup>53</sup> See the joint MoF and MoCA *Guiding Opinion on supporting the promotion and development of social organisations through government purchase of services*, 2016. The issue of Strategies for Involving Social

**Policy recommendation:** *MoF should work with MoCA and other relevant ministries, in the context of increased contracting out of social assistance, to develop methods of joint commissioning of social assistance services.*

## 2. Services

In terms of co-ordination with other services, one of the key issues identified in the Chinese national reports and at the workshop was the need for greater co-ordination of social assistance with employment services. EU countries have extensive experience in developing welfare-to-work supports and, while there are significant differences in the labour market contexts, China could usefully examine the EU experience in developing its own responses in this area.

Research has shown that well-designed employment programs can reduce claims for social assistance and increase employment. For example, in the UK general evaluations have found a positive impact for employment measures both on reducing inflows to social assistance and in increasing exits to job from social assistance (Riley et al., 2011; Meager et al., 2014).

Nonetheless, the EU experience indicates that linking social assistance and employment is not an easy approach nor one which can be completed in the short-term. It requires the investment of resources (both human resources, IT and appropriate back-to-work measures). It also requires identification of the relevant policies in the national (or regional context) and the development of appropriate solutions. For example, what will work in an EU context may not be appropriate in a Chinese context (and indeed what will be appropriate in one area of China may not be appropriate in another).

A first step is the need to understand both the Chinese social assistance (dibao) population and the local labour market and how to link the two. While it appears that 60% of dibao recipients might be considered to be not incapable of work (i.e. they are not classified as elderly, disabled or students) this does not mean that they have a realistic prospect of being employed. It is first necessary to have a clearer understanding of the ‘employability’ of the local dibao population.

Employability can be seen as relating to the skills and capacities that allow a person to be employed (or self-employed). It should be seen as a continuum (rather than a dichotomous ranking) ranging from those with high employability who are close to the labour market to those with low employability who are far from it.

In order to assess employability, we also need to understand the needs of the local labour market (and the short-term future needs). What type of employees do local employers need, what type of skills are they looking for, etc? Thus, a combination of characteristics and factors can lead to individual dibao claimants having a greater or lesser employability. These include (1) individual characteristics of claimants, both alterable and unalterable; (2) contextual factors such as family, location, social and institutional; (3) local-level labour demand; and (4) macro-level labour demand.

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Organizations in Social Assistance is currently being considered by an ADB-funded project working with MoCA: <https://www.adb.org/projects/50033-001/main>

It is also necessary to understand local practices of getting employment. For example, where many people get employment through local and family contacts (rather than through formal labour market institutions) it is important to factor this into the type of services which are provided. Many EU countries have established labour market institutions which provided ‘training’ courses or subsidised employment courses for claimants of social benefits which were subsequently found to have had no positive effect on the prospects of getting work in the ‘real’ labour market. It will be important that China learns from these ‘bad’ practices as well as the good practices highlighted in the EU national reports.

Some of the good practices which have been identified in EU countries include

- Unified offices for both social assistance and employment services (one-stop-shop),
- Providing appropriate levels of trained staff in order to deal with the needs of claimants;
- Developing an appropriate IT framework so that linkages between social assistance and employment services can be operationalised and monitored effectively;
- The use of ‘social organisations’ to provide contracted services.

Unified offices (co-locating employment and social assistance services) have been established in a number of EU countries including the Czech Republic and the UK. However, to make a real difference such unified offices must go far beyond simple co-location of staff and must also ensure complementary objectives and co-ordinated working methods and IT systems. Studies have indicated that the successful establishment of a unified approach can bring significant benefits. For example, in the UK the agencies responsible for employment services and benefit payment were amalgamated into *Jobcentre Plus* and this has had a positive effect on the labour market (Riley et al., 2011). In the Netherlands also, there is co-ordination between municipalities who administer social assistance and employment services (including a jobseekers centre) and in the Czech Republic, the labour offices are responsible for administering social assistance benefit in addition to providing employment services. These are good examples of what can be achieved through better co-ordination between social assistance and employment services. However, it is important to note that these have been long-term projects over several decades with the investment of significant resources and in a context where services were either managed directly from the national level or where the national government provided financial incentives for the municipalities to achieve employment objectives. In contrast, Thorén (2008) shows how overall objectives can easily be undermined by street-level practices in a context where there is no clear line management or incentives to achieve the national-level objectives.

In some countries, such as the UK, social organizations are often contracted by the public authorities in the provision of employment services (such as jobsearch support, job placement, in-work supports, etc.). The Chinese government is currently encouraging the use of social organisations in the delivery of social services<sup>54</sup> and this could be a very useful option in the area of employment services in order to avoid the costly development of public services and to make use of the expertise of social organisations which are often very well-informed about labour market needs in their local area.

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<sup>54</sup> See the ADB project mentioned above.

However, as discussed above, it will be important for Chinese policy makers to consider the local context and whether these particular solutions provide a ‘good fit’ in a Chinese context. Given the regional variations in the Chinese labour market and the varying capacities of local governments, it would seem highly appropriate to adopt a pilot approach in this area working with local governments with greater capacity in order to identify what works in different areas (and with different target groups) with a view to, in the longer-term, expanding this type of approach more broadly.

**Policy recommendation:** *MoF should work with MoCA and MHRSS to support the development of pilot projects in different regions which would explore how social assistance can better be linked to employment services. These pilots should be evaluated in order to assess what has worked in different labour market contexts (and what has not).*

### 3. Finance

The funding of the Chinese system of social assistance is rather complex. This is due to the multiplicity of schemes which fall under the heading of social assistance; the multiplicity of agencies involved in implementing these schemes; and the multiplicity of funding sources.

First, social assistance is usually described as covering ‘8 + 1’ schemes (dibao, wubao, medical assistance, educational assistance, housing assistance, employment assistance, disaster relief and temporary assistance + disease emergency assistance). Second, while most social assistance schemes fall within the remit of the civil affairs bureaus, others are the responsibility of other agencies (such as the education, housing, and human resources and social security bureaus).<sup>55</sup> Third, funding comes from both central and local governments. In addition, a small part of funding comes from social and market funds, e.g. welfare lottery. This leads to a complex arrangement of funds.

In European countries there has been a tendency to consolidate funds for social assistance under one budget and to ensure that standards of public financial management (PFM) are applied. This is in line with the Chinese approach of ‘multiple channels to bring water; one reservoir to hold water; and one tap to release water’.

In relation to the funds used, the fact that funds come from different sources should not be a major issue as long as resources are lodged in, and accounted for, in one fund. Of course, the scope of the fund is a matter for the Chinese authorities. Whether it is possible (or advisable) to include funds for education or housing assistance as part of the social assistance fund depends on national circumstance and is an issue that is addressed differently in different EU countries. In the UK, for example, the Income Support scheme does not generally include support with education issues and

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<sup>55</sup> Disease emergency assistance is the responsibility of the departments of health and family planning.

housing support is provided under a separate housing benefit (which is administered by local authorities rather than centrally).<sup>56</sup>

EU countries have then ensured that the relevant rules of PFM apply to social assistance funds in the same way as to other central or local government funding. These include:

- mid-term budgeting (including structured forecasts of expenditure)<sup>57</sup>
- results-based budgeting (i.e. based on policy outcomes (or at least outputs) rather than solely on inputs),
- transparency,
- independent auditing, etc.

Again it is necessary for the Chinese authorities to consider which of these tools represent a good fit for Chinese local governments at this stage of their development. As set out in the Chinese national reports and as discussed at the workshop, there are already good examples of how better co-ordination of funds can be achieved and these now need to be replicated more broadly in a more systematic manner. We understand that MoF and the relevant Chinese authorities have already taken steps to co-ordinate different parts of the social assistance budget into one fund and we recommend that this work should be continued.

In the EU, for example, in Sweden, funding for social assistance comes from a range of sources (local income tax, grants and local charges) but is combined in one fund which forms part of the local authority budget which must be agreed annually to cover the next three years. The Swedish Local Government Act includes a balanced budget requirement which means that the budget of a local authority must, in general, be drawn up so that income exceeds expenditure.<sup>58</sup> The Local Government Act states that local governments shall exercise good financial management in their activities. The state supervises local authorities through government agencies like the National Board of Health and Welfare. Supervision must have both a scrutinising and a supportive element. Government agencies cannot declare local government decisions invalid, but they can in certain cases initiate a judicial review or impose a financial penalty on a municipality.

Every local authority must have at least three auditors who are elected representatives appointed by the assembly. These auditors are assisted by experts, who are professionally qualified auditors. The auditors consider whether activities have lived up to the objectives set up by the assembly, whether they have followed the relevant decisions, legislation and regulations and whether the financial accounts are true and fair.

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<sup>56</sup> However, as discussed at the workshop and in the national reports, the UK is currently in the process of unifying Income Support and housing benefit (and other means-tested schemes) into a unified universal credit.

<sup>57</sup> Mid-term budgeting is a tool designed to achieve the optimal social and economic outcomes within the resources available. A mid-term budget framework provides a link between national objectives, a medium term three-year rolling budget and the annual budgeting cycle. The World Bank/DRC (2014) study proposed that such an approach should be adopted in China's public finances.

<sup>58</sup> There are exceptions for 'exceptional reasons' such as a strong financial position or major restructuring actions but the deficit must be paid of in the following years.

While there is no direct government funding for Swedish social assistance, funding for local government is based on a comprehensive equalization system and the ‘local government financing principle’. Essentially, this principle ensures that if the central government takes decisions that directly affect the operations of the municipalities, for example mandating new responsibilities, these decisions must be accompanied by a corresponding change in the financing grant from the state. The equalization system comprises two major parts: one on the revenues side, which is structured to even out the differences in tax base per capita; and one on the expenditures side, which distributes funds and grants to local governments with adverse cost structures and unfavourable demographic compositions.

The establishment of more unified and better structured budgeting systems in Chinese social assistance - combined with a comprehensive Information Platform as discussed below - would form the basis for addressing other financial issues, such as moving towards a better structured and more equitable approach to the allocation of central government resources to local governments social assistance budgets. In future this might include the development of financial incentives for local governments to achieve policy objectives as in the Netherlands (discussed in more detail in the EU national reports).

**Policy recommendation:** *MoF and local finance bureaus should work with MoCA and civil affairs bureaus to continue the unification of funds at local level into one social assistance budget. MoF should also support the further development of best practice in public expenditure management in the social assistance system and should consider which aspects of EU practice represent a ‘best fit’ in Chinese circumstance.*

#### 4. Information Platform<sup>59</sup>

There was general agreement in the panel discussion on the need to create an “integrated” social assistance information platform, which can guide, manage and incorporate assistance resources, provide information guarantee for overall integration of social assistance system. Information technology provides the possibility

- to improve services to the people (e.g. through faster processing of claims to social assistance);
- to allow better control of the use of social assistance funds through comprehensive verification of claims and monitoring (e.g. data sharing re claimants’ means);
- to facilitate better management and analysis of the national social assistance system;
- to improve co-ordination of policies (e.g. as discussed in relation to more coordinated integration of administration of social security and social assistance);

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<sup>59</sup> We do not address technical IT issues (e.g. system requirements) but rather the general use of IT to support co-ordination in the management of social assistance.

- to facilitate co-ordination of services; and
- to facilitate the establishment and control of a more unified approach to funding social assistance.

It is important that the information platform should encompass fund management data as well as individual client data. In particular, from the perspective of MoF, the development of IT and MIS (management information systems) provides the possibility of a much more thorough analysis of local social assistance patterns as to levels of types of spending, trends, analysing outcomes against estimates and assessing the effectiveness and efficiency of social assistance expenditure in different areas. All of this should enhance MoF's ability to encourage the best use of resources.

At present, although local governments are now developing their IT systems,<sup>60</sup> it remains the case that IT is not being used to its full potential in the social assistance system. The basic level of IT in operation in the social assistance system is particularly striking when it is compared to the world-leading level of information technology in everyday use in the commercial sector in China (McKinsey, 2014; 2017). Clearly the know-how and technology exist to use IT to a much greater extent in the public sector.

We note that MoCA is in the process of establishing the Jinmin (金民) Project which aims to form an information system with three main features: three level interconnection of business networks, unified application software, and centralized management of data resources, thus promoting the civil affairs department's administration efficiency and public service level, to achieve a nationwide network of social assistance information systems, and to form a nation-wide comprehensive social assistance information database. This forms an important part of MoCA's overall approach to the development of information platforms within its areas of responsibility.<sup>61</sup>

In establishing its IT platform in line with Chinese conditions and requirements, the Chinese authorities can also draw on the experiences of EU countries. In many cases, IT systems have been established at a national level even if social assistance administration was carried out by local authorities. For example, the Netherlands has developed a special information platform called *Suwinet* to support the implementation of social assistance. *Suwinet* is used by municipalities (and related agencies such as employment agencies) to manage data in the implementation of social assistance and employment services. Public agencies such as the Tax Office, Student Data Authority, Land Registry, National Road Authority and the UWV (unemployment insurance agency which also provides employment services) share personal information with municipalities in relation to the implementation of the Act. The system, which is operated by the UWV is intended to check whether a person is entitled to a benefit or to detect benefit fraud. The social assistance law

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<sup>60</sup> For example, an increasing number of local governments are establishing income verification centres which check data received in claims for social assistance against data available from other databases. MoCA has also established an income verification centre at a national level which is intended to support data verification between provinces.

<sup>61</sup> <http://www.mca.gov.cn/article/gk/wj/201710/20171000006266.shtml>

set out rules in relation to control of data and standards have been developed for the municipalities to ensure data security and address privacy issues.

In contrast, in Sweden there has been a more bottom-up approach. Municipalities are developing a number of innovative approaches including:

- A system known as Digital service for financial aid (*SSBTEK*) which is an electronic service that supports and simplifies the management of cases in financial assistance. More than 220 municipalities now use this service. The Social Insurance Agency is responsible for technical management and operation of the service on behalf of the Swedish Association of Local Authorities and Regions (SKL). Municipalities can get data from a range of agencies including the Social Insurance Agency, tax authorities, student finance agency, etc.
- An integrated query function (*Multifråga*) that streamlines social service work in connection with the handling of cases of social assistance. This is linked to SSBTEK and allows a municipality administrator to send an electronic request and get a consolidated and clear response from all agencies.
- A national, web-based email service (*eAnsökan-EkBist*) for individuals seeking continued financial aid including a number of Web-based forms, where the applicant fill in the data needed for the application

The Chinese situation is complex because the local levels of government have considerable autonomy in terms of the development of their individual systems. While there are many advantages to this, it does not facilitate the development of a comprehensive and co-ordinated information platform. One of the priorities for the Chinese authorities should be the need to plan the development of IT architecture in the Chinese social assistance scheme so as to ensure interoperability both within and between provinces and also between a province and MoF. This could draw on the different approaches adopted in EU countries with regional administration of social assistance such as the Netherlands (top down) and Sweden (more bottom-up) and could also draw on the practical issues identified in the Italian experience.

At the national level, the authorities - drawing on good practice in the provinces and municipalities - should set the main goals for the IT platform, set the framework, basic standards and methodology, set parameters for IT interoperability and comparability. It would appear that MoCA is the natural agency to act as a lead agency in charge of establishment and co-ordination of the IT platform.

**Policy recommendation:** *MoF should support the development by MoCA of a comprehensive information platform. MoF (and local finance bureaus) should also work closely with MOCA (and local civil affairs bureaus) to ensure that IT developments include the need for financial management of the social assistance system and to avoid the development of unintegrated systems and/or systems which focus solely on claim processing.*

## Conclusions

The Chinese social assistance system has developed rapidly in recent years and now represents the largest system of social assistance in the world in terms of the number of people covered.<sup>62</sup> As with any system which has grown rapidly, the social assistance faces challenges which have been discussed in detail in the Chinese national reports and at the workshop in August 2017. In addressing these challenges, the role of the project is to provide examples from the EU context as to how similar challenges have been tackled in EU countries and to highlight approaches which may be of assistance to the Chinese authorities.

In these policy recommendations we have focused on four main themes where EU experience may be of particular relevance: co-ordination of policies, services, finances and information platforms.

First, MoF should work with MoCA and MHRSS to ensure **close co-ordination of social insurance and social assistance policies**, in particular by ensuring that the social assistance operates as a ‘safety net’ scheme where persons are not entitled to social insurance benefits. Information platforms used by social security and social assistance agencies should be integrated as far as possible at all levels of government so that real-time data sharing is possible.

Second, **the relationship between rights to social assistance and social security benefits should be specified in legislation.**

Third, MoF and local finance bureaus should work with MoCA and civil affairs bureaus and other relevant ministries and their local agencies, in the context of increased contracting out of social assistance, to **develop methods of joint commissioning** of social assistance services.

Fourth, MoF should work with MoCA and MHRSS to support the development of pilot projects in different regions which would explore how **social assistance can better be linked to employment services**. These pilots should be evaluated in order to assess what has worked in different labour market contexts (and what has not).

Fifth, MoF and local finance bureaus should work with MoCA and civil affairs bureaus to support **the unification of funds at local level into one social assistance budget**. MoF should also support the further development of best practice in public expenditure management in the social assistance system and should consider which aspects of EU practice represent a ‘best fit’ in Chinese circumstance.

Sixth, MoF should support the development by MoCA of a **comprehensive information platform**. MoF (and local finance bureaus) should also work closely with MOCA (and local civil affairs bureaus) to ensure that IT developments include the need for financial

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<sup>62</sup> In the third quarter of 2017, there were over 50 million people in receipt of urban and rural dibao (13.1 million urban and 40.7 million rural (<http://www.mca.gov.cn/article/sj/tjyb/sjsj/1123/201711231548.html>)). This compares with only 3.7 million people (1.4 million families) in the USA in receipt of federal TANF (Temporary Assistance for Needy Families) and separate State programs in December 2016.

management of the social assistance system and to avoid the development of unintegrated systems and/or systems which focus solely on claim processing.

In all of these areas (co-ordination of policies, services and funds), information technology can play a key role in supporting policy and service co-ordination and in improving financial management. China has now developed global leadership in the use of information technology in the private sector. The opportunity exists to replicate this in the public sector.

A recent consultancy study of China's new economic model shows how China can continue its development in particular by shifting to a productivity-led economy using the tools of information technology (McKinsey, 2016). Many of these tools are equally relevant to improving public and social services.

Given that the technical know-how and capacity already exist, China could also become a leader in the use of information technology in the public sector and, specifically, in the field of social assistance so as to ensure a better quality of life for all Chinese citizens.

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## **Policy Recommendations.**

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## Document Scope

The following report is a written version of a presentation for the Component 2 workshop, within the EU-China Social Protection Reform Project. The workshop was held in Beijing on 26<sup>th</sup> February 2018.

It includes the opinion of the author regarding the current situation of social assistance management in China, and recommendations for improving its coordination.

## 2. Current situation in China

The Chinese government has made social assistance a priority and launched several initiatives in this area. Once completed, Chinese social protection system will be the biggest social protection system in the world in terms of the number of people covered. The current social assistance grew up from local initiatives as well as from centrally implemented programs. Social assistance system is now fragmented. Many schemes are in place, many different institutions are involved. Social assistance is funded from several sources – the state budget, provincial and local budgets, welfare lottery etc.

Fragmentation of the system results in overlapping schemes, while criteria for some benefits remain unclear. Citizens must apply at several authorities and the system is not transparent. This may also have the effect that a person may be provided with more assistance than necessary while another person in need receives no assistance.

Another feature of the current system is that there is a lack of communication between the institutions involved.

The current task is to overcome the current fragmentation of social assistance management to make it better targeted, more effective, more efficient and thus fairer. In some provinces, significant progress has been achieved. In the Panel Discussion which took place in August 2017, three provinces presented their experience with efforts to improve the management of social assistance:

- In Hebei Province, institutional coordination was established and followed by the creation of an information platform. Further steps have been made towards the unification of management and funds.
- Shandong Province has unified social assistance administration and merged some of the benefits which had the same purpose. One of the priorities has also been an information platform.
- Anhui Province has unified the management of the 8+1 scheme.

Another examples of unification or coordination of social assistance management have been quoted by Professor Jian Zhen in his report for the August Panel Discussion.

### 3. EU experience

Under the EU-China SPRP, the experience of several EU countries has been analysed. At the Panel Discussion in August 2017, the social assistance management of five countries has been presented and discussed:

- Sweden,
- the Netherlands,
- the United Kingdom,
- the Czech Republic and
- Italy.

These European countries have chosen different approaches. Some opted for a decentralised model of social assistance management, others for a centralised one. All those models have their strengths and weaknesses. The decision regarding the centralisation or decentralisation usually followed the tradition of general administration (for example, the Czech Republic has a long tradition of rather central administration and social assistance is managed by a central authority under the Ministry of Labour and Social Affairs). Nevertheless, there are several features common to all countries mentioned above, regardless the administration model:

- Targets and target groups of social assistance programmes are clearly defined.
- Expenditure is usually based on the volume of benefits and the number of recipients – if there are more, expenditure increases. Social assistance thus serves as a macroeconomic stabiliser (it has counter-cyclical effect in times of economic downturn).
- Social assistance has a link with employment/labour market policy. In the UK and on the Czech Republic, social assistance is provided by public employment services bodies.
- All these countries already launched an IT platform for social assistance integrating the relevant organizations (social assistance bodies, social security authorities, tax authorities etc.) or are planning to do so in near future.
- Usually, social insurance benefits are provided by a single authority (a municipality in Sweden and in the Netherlands, a Job Centre in the UK, Labour Office of the Czech Republic).

## 4. Recommendations

### 4.1. Goals for the coordination of social assistance management

What goals could China set for improving the management of social assistance? First of all, I would like to emphasise one of the recommendations formulated by Mr Mel Cousins in his paper for the workshop. Simple adoption of the EU best practices may not bring the expected results. Each practice works in its original context which may have roots in the history and traditions of the country in question. A solution for China must be such to fit Chinese peculiarities.

Second, in case of China, the issue of scale cannot be ignored. Two of the biggest EU countries were covered in the panel discussion (the UK and Italy) but China has 20 times more inhabitants than either of them. What works for 60 million people may not be suitable for 1.4 billion.

With these facts in mind, what could be the goals China should pursue? In my opinion, they may include the following:

- Establishment of a one-stop-shop (one window) for the citizens where they can apply for social assistance benefits.
- Clear definition of the schemes and responsibilities of the institutions involved. Instead of overlapping, the schemes should supplement each other – one would fill gaps of another like a series of safety nets (Example: There is a person in need with a disability, low income and he/she has a child. While basic poverty alleviation scheme would provide income support, another scheme would address the disability - perhaps in the form of grants for special aids, services, healthcare, adjustments made to housing – and another would be used to assist with the child, e.g. through education support).
- Coordinated use of funds.
- Sharing of data which would enable for more accurate assessment of the needs and the means and for better targeting of the assistance.
- Establishment of a link with employment policy.

### 4.2. Recommended approach

How to achieve those goals? In my opinion, the top-bottom approach would be more suitable for improving the coordination of social assistance in China. Nevertheless, the provinces would be partners in this effort. Some have already gained good experience with coordination efforts as shown during the August Panel Discussion. I would recommend leaving some flexibility for the provinces to respond to their specific situation. Central government role could be stronger in the area of benefits in cash while the provinces would be in charge of the benefits in kind. In the latter, there is also room for the participation of non-governmental sector.

Regarding the role of the central government, I would recommend that it sets the main goals for social assistance and the reform of its management. Furthermore, the framework and basic standards should be set by the central government which would also issue the relevant general methodology. For example, the central government may set the formula to establish the income threshold for some benefits (typically for poverty alleviation schemes) – the formula would say which types of income are calculated, what costs are included in the calculation etc. The exact amounts would be specified at the provincial (or even lower) level.

Concerning the IT platform, the central government could set the basic parameters for the IT so that separate IT platforms in the provinces will be still compatible with each other. If the government decides to establish a single information platform, I would recommend allowing for an addition of special modules the provinces may develop for new special schemes set up at the provincial level. Appointing one agency to take charge may advance further coordination of social assistance management.

### **4.3. Recommended First steps**

What could be the first steps? First, the current situation should be analysed to identify gaps, duplications, and bottlenecks in the system. The central government may take stock of existing experiences with the coordination of social assistance management gained by the provinces. Different innovations may then be piloted in some of the provinces. For the implementation of a nationwide reform of social assistance management, the central government would set the targets and take steps in the IT (either defining the basic parameters or establishing single information platform). One of the steps could be the appointment of a single authority in charge of the coordination of the other institutions involved. The government may also consider introducing some incentives related to improvements in social assistance management.

### **4.4. Several ideas for the later stage**

With regard to further reforms in social assistance area, I would like to mention several points worth of attention:

- Benefits in kind, e.g. social services and social work, may play a very important role in the prevention of negative social phenomena (or their lack may lead to spread of such phenomena in spite of a well-designed schemes of benefits in cash – in the Czech Republic, the poverty-at-risk rate was stable between 2005 and 2015 but the number of socially excluded localities doubled over the same period).
- Social assistance should be linked with employment policy and with other policies (taxation, minimum wage policy). In the EU, many countries have introduced incentives and sanctions in their social assistance schemes related to working activity for the beneficiary (e.g. work-related income is not calculated fully in the income test, benefits can be increased or

decreased or even withdrawn completely if the beneficiary does not accept a suitable job). Inactivity traps should be avoided. If a person's earnings from work are on the same level as the benefits he/she may receive, why would that person work? In other words, work must pay. In the EU, income tax reliefs sometimes replace or are coupled with benefits – in the Czech Republic, tax reliefs and bonuses related to children are significantly higher than child allowance (a social assistance benefit). In Hungary, most of family-related social benefits has been replaced by tax reliefs. To widen the gap between social benefits and work income, a minimum wage may also be introduced.

- The social and economic conditions may change, and good solutions may lose their positive effect after few years. The administration should constantly monitor the situation and be ready to review and update the social assistance measures to meet current needs.

