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## **Welfare and redistributive effects of social assistance in the Global South**

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**Abstract:** This paper presents an analysis of the recent evolution of social assistance in the developing world, looking at its complex typological configuration, which has interlinked with, and partly reflects the complex demographic and epidemiological transitions and rapid urbanization and economic convergence that many developing countries have exhibited over the past decades. The paper underscores the principles of the poverty focus of social assistance and presents an overview of existence evidence of first- and second-order effects of social assistance, particularly in the domains of poverty, education, health and labour markets. Moreover, the paper highlights the knowledge gaps with regard to the longer-term and gender-specific welfare effects of social assistance, and the redistributive effects, and the incentives and distortion mechanisms that transfer programmes can generate in the labour and insurance markets.

**Key words:** social assistance, social protection, poverty, redistribution, welfare, developing countries

**JEL classification:** H53, H55, I31, I38 O15

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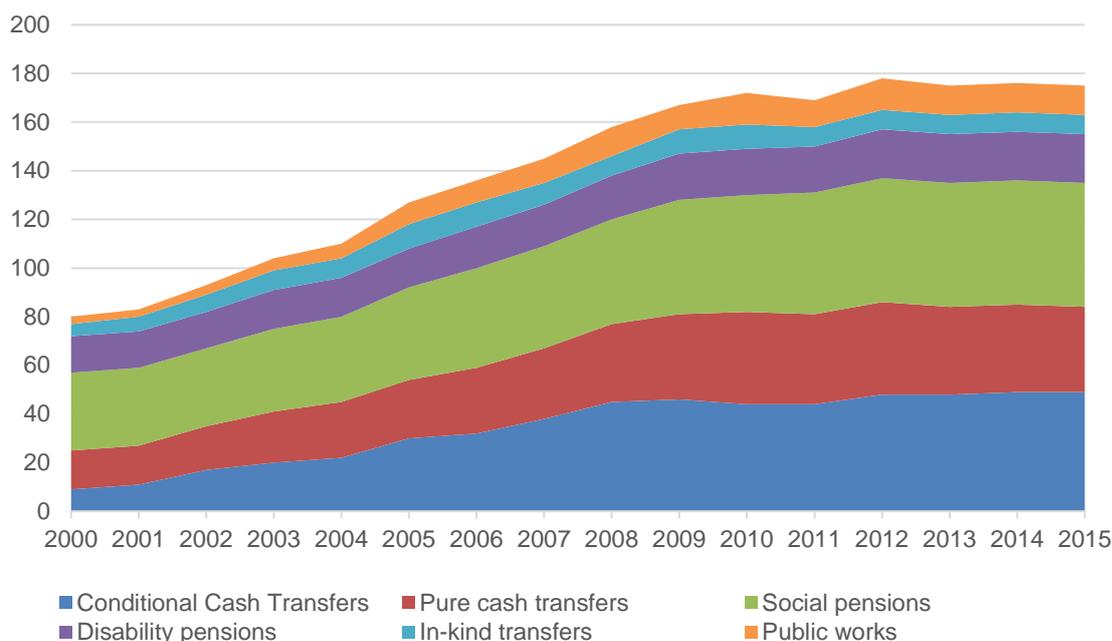
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## 1 Introduction

Over the past two decades, social assistance emerged as a new paradigm in the fight against poverty and vulnerability in the Global South. It expanded rapidly since the turn of the century, from no more than 80 programmes in 2000 to about 180 programmes currently operating in 130 low- and middle-income countries (see Figure 1). With a global reach estimated to be in the order of nearly 900 people worldwide (Barrientos and Niño-Zarazúa 2011), this makes social assistance one of the most important anti-poverty policy instrument at the present time.

Social assistance includes tax-financed, and donor-funded social welfare programmes that are designed to provide income and/or in-kind support to people living in poverty or in situations of vulnerability. Conditional Cash Transfer (CCTs) programmes such as Brazil’s *Bolsa Familia* and Mexico’s *Progres-a-Oportunidades-Prospera*; social pensions such as South Africa’s *Old-Age Pension* and India’s *Indira Gandhi National Old-age pension Scheme*; pure cash transfers such as China’s (Urban and Rural) *DiBao* and South Africa’s *Child Support Grant*; and public works and employment guarantee schemes such as Ethiopia’s *Productive Safety Net Program* and India’s *National Rural Employment Guarantee Scheme*, are prominent examples of this wave of social assistance in the Global South.<sup>1</sup>

Figure 1: Number of social assistance programmes by type



Source: Author’s calculations based on Social Assistance, Politics, and Institutions (SAPI) database (UNU-WIDER 2018).

The raise of social assistance reflects important shifts in anti-poverty policy design, moving away from food aid and fuel and commodity subsidies towards the implementation of regular and predictable forms of targeted interventions. These policies emerged in contexts where the distribution of social insurance benefits had remained truncated, partly due to the structure of the labour markets in most developing nations, often characterised by high levels of informality and

<sup>1</sup> For a typology, see Barrientos, Niño-Zarazúa, and Maitrot (2010).

large subsistence agriculture that continues to play a vital role in livelihood strategies, particularly in low and lower-middle-income countries.<sup>2</sup>

Indeed, contributory old-age and disability pensions, health insurance schemes, occupational injuries benefits and other contributory schemes that constitute social insurance systems, cover just a fraction of the poorest households. In sub-Saharan Africa, for instance, just about 5 per cent of population at the first quintile of the income distribution receive social insurance benefits, and this percentage remains low in the Middle East and North Africa (5 per cent), Latin America (8.5 per cent), South Asia (20 per cent), East Asia and Pacific (21 per cent), and particularly so among low-income countries (1.6 per cent) (see Table 1).

The new wave of social assistance has been characterised by what I refer to as a ‘partial decommodification’ in the production of social welfare, following Esping-Andersen’s (1990) terminology. Partial decommodification in the sense that despite the observed dynamism and growth of social assistance, the strength of social welfare benefits remains limited and concomitant to a restricted number of entitlements that while supporting the poor, do not guarantee a minimum standard of living.

Indeed, the average transfer amount of social welfare benefits going to the poorest households vary significantly, from about US\$0.93 per capita at purchasing power parity (PPP) in Europe and Central Asia to just about US\$0.42 and US\$0.11 in sub-Saharan Africa and South Asia, respectively (see Table 1). There is considerable heterogeneity in the generosity of entitlements by type of programmes, as shown in Table 2, with social pensions providing, on average, the most generous benefits at the lowest quintile of the income distribution in East Asia and the Pacific, Europe and Central Asia, Latin America, and sub-Saharan Africa. These levels of benefits are, however, just a small fraction of the amount of welfare benefits that the richest households receive, reflecting high inequalities and a complex configuration of social protection systems that continue to rely on markets, and families in particular, to provide protection to the poor and vulnerable (Gough 2004; Wood and Gough 2006).

## **2 Demographic transitions and social assistance**

An important empirical observation surrounding the recent evolution of social assistance is that it has taken place against the backdrop of important demographic transitions that resulted from major advances in health sciences and public health innovations that saw developing countries improving child survival and life expectancy at birth over the past decades (McMichael et al. 2004; Gerland et al. 2014). This incidentally has put pressure on the truncated and fragile social protection systems to respond to the needs of families with children and a growing aging population (Christensen et al. 2009; Cohen 2003; Omran 2005). Indeed, as one can see in Figure 1, the largest expansion of social assistance has been observed in the area of pure cash transfers such as family and orphan allowances, social pensions and CCTs, which by design target families with children and the elderly population.

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<sup>2</sup> Informal employment represents about 80-90% of total non-agriculture employment in low-income and lower-middle-income countries, whereas in lower-middle-income and upper-middle-income countries, it is in the order of 70-80% and 35-60%, respectively. Similarly, employment in agriculture, measured as percentage of total employment, remains considerably high, above 60% in low-income countries but also in lower-middle-income countries (about 40%) and upper-middle-income countries (about 22%) (World Bank 2019b).

In Southern and Eastern Africa in particular, where about 20.6 million people live with HIV—over half of the world population suffering from the disease (UNAIDS 2019)—the expansion of social pensions and family and orphan allowances has been shaped by the need to respond to the catastrophic effects of the HIV pandemic (Niño-Zarazúa et al. 2012; Budlender and Lund 2011). Social pensions, and family and orphan allowances, provide income support to vulnerable groups without inherent conditionalities, based on age and principles of citizenship, although eligibility remains constrained by poverty targeting and made available through means tests or proxy means tests (Case and Deaton 1998; Lloyd-Sherlock 2000; Alderman 2001; Barrientos, Gorman et al. 2003).

While paradigmatic programmes such as South Africa’s Old-age pension and the Child Support Grant are large in scale, covering about 16 and 12 million people, respectively, social pensions and family allowances remain small in scale, covering just about 0.7 and 2.5 per cent of the poorest households in sub-Saharan Africa, respectively. In other parts of the world, social pensions have become integral part of national social protection systems;<sup>3</sup> however, in most cases, they remain limited, covering just about one per cent of the world’s poorest population (see Table 2).

Pure cash transfers have been a favoured modality for the distribution of social welfare benefits in East Asia and the Pacific as well as in the Middle East and North Africa (MENA) region and in a lower scale in, with a coverage in the order of 20 and 6 per cent of poorest households, respectively. Notable examples of these programmes are China’s (rural and urban) Dibao programme, Vietnam’s Child Benefits programme, Thailand’s Child Support Grant, Tunisia’s National Programme of Assistance to Needy Families, Palestinian National Cash Transfer Programme.

In Latin America, the raise of social assistance has been dominated by CCTs, which adopt a multidimensional approach to poverty. They link cash transfers to simultaneous interventions in health, education, and nutrition, placing a strong emphasis on tackling the intergenerational transmission channels of poverty via human capital investment.<sup>4</sup> They require households to send children to school and attend periodical health check-ups in exchange for income that support household’s expenditures on food, education, health care. The explicit conditionalities of cash transfers act in this context as an incentive device, influencing parents’ investment decisions in their children by mean of mitigating the opportunity costs of schooling, especially at certain critical school-labour market transitions (Parker, Rubalcava, and Teruel 2007).

Prominent CCTs such as Brazil’s *Bolsa Familia*, Mexico’s *Progres-Oportunidades-Prospera* and *Colombia’s Familias en Acción* currently cover about one-fourth of the entire populations of these countries, and in Latin America as a whole, CCTs support over 40 per cent of the poorest populations. In other parts of the Global South, including in East Asia, South Asia and the Middle East and North Africa, CCTs have also been introduced although at a much lower scale (see Table 2).

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<sup>3</sup> Relevant cases are India’s Indra Gandhi National Old-Age Pension Scheme, the Philippines’s Social Pension for Indigent Senior Citizens, and Mexico’s 70 y Mas programme.

<sup>4</sup> In some specific cases, such as *Chile Solidario*, programmes combine income support with a wide range of interventions that include health, education, employment and housing.

Table 1. Coverage and transfer size of social assistance and social insurance by deciles

Coverage <sup>1/</sup>	Social Assistance					Social Insurance				
	1st quintile (poorest)	2nd quintile	3rd quintile	4th quintile	5th quintile (richest)	1st quintile (poorest)	2nd quintile	3rd quintile	4th quintile	5th quintile (richest)
East Asia & Pacific	65.93	52.78	39.90	30.97	28.46	21.38	22.84	26.40	33.61	38.74
Europe & Central Asia	46.70	38.78	40.19	48.82	50.66	37.56	43.93	49.05	54.59	49.73
Latin America & Caribbean	62.24	50.46	38.50	25.00	11.53	8.60	21.86	28.15	35.75	37.52
Middle East & North Africa	56.98	56.06	57.02	56.10	48.10	5.00	9.72	13.70	17.81	24.32
South Asia	84.82	75.65	71.17	69.08	70.58	20.16	16.68	13.67	11.85	9.32
Sub-Saharan Africa	11.65	13.98	17.04	17.78	19.45	5.00	2.98	2.93	3.57	5.66
High income	66.22	50.90	45.38	35.39	21.69	34.79	40.20	42.70	44.19	36.47
Upper middle income	65.89	52.21	39.76	32.83	34.43	26.14	28.53	32.59	39.74	44.40
Lower middle income	56.75	65.45	62.00	56.25	43.88	14.18	13.32	11.40	10.65	14.86
Low income	12.72	17.55	21.96	18.81	14.16	1.66	0.96	1.38	2.37	4.96
World	50.17	59.69	54.08	42.93	33.98	12.17	14.65	16.75	24.65	38.02
Transfer size <sup>2/</sup>										
East Asia & Pacific	0.22	0.23	0.24	0.26	0.30	0.61	1.47	3.57	6.33	12.25
Europe & Central Asia	0.93	1.08	1.38	2.27	2.64	3.08	5.16	7.21	9.90	13.28
Latin America & Caribbean	0.63	0.81	0.97	1.64	1.57	1.85	3.11	4.16	7.29	17.58
Middle East & North Africa	0.16	0.20	0.24	0.27	0.54	1.09	1.36	1.69	2.28	4.45
South Asia	0.11	0.12	0.15	0.19	0.27	0.12	0.14	0.20	0.32	0.91
Sub-Saharan Africa	0.42	0.64	0.86	1.06	1.79	0.22	0.48	0.64	1.14	4.61
High income	1.32	1.21	1.01	1.10	2.39	4.79	7.39	10.52	13.96	22.14
Upper middle income	0.34	0.37	0.45	0.67	1.61	0.79	2.55	4.92	7.89	13.18
Lower middle income	0.14	0.18	0.22	0.29	0.55	0.13	0.16	0.29	0.65	3.08
Low income	0.11	0.24	0.18	0.29	0.97	0.12	0.20	0.40	0.52	1.07

1/ Coverage measures the percentage of population participating, directly or indirectly, in social assistance and social insurance programmes

2) Transfer size measures the average transfer amount of social assistance or social insurance programmes among beneficiaries in daily per capita US dollars adjusted by purchasing power parity (PPP).

Note: The colour scale captures the distribution of coverage and transfer size, from dark green capturing the highest values to dark red capturing the lowest values in the corresponding distribution.

Source: Author's illustration, based on (World Bank 2019a).

Table 2. Coverage and transfer size of social assistance by type of programme among the poorest and richest populations

Coverage <sup>1/</sup>	Pure Cash Transfers		CCTs		In-kind Transfers		Public Works		School Feeding		Social Pensions		Other Social Assistance	
	1st quintile (poorest)	5th quintile (richest)	1st quintile (poorest)	5th quintile (richest)										
East Asia & Pacific	20.56	9.14	4.59	0.03	29.78	17.08	n.a.	n.a.	0.14	1.36	0.19	2.01	7.19	0.37
Europe & Central Asia	32.46	42.78	n.a.	n.a.	13.60	1.32	n.a.	n.a.	2.24	5.35	7.89	1.31	6.45	13.27
Latin America & Caribbean	1.50	1.50	41.91	2.47	14.21	3.22	0.02	0.08	14.31	2.03	3.39	1.32	20.16	3.67
Middle East & North Africa	6.39	11.10	0.88	n.a.	51.30	31.67	n.a.	n.a.	8.25	0.37	n.a.	n.a.	3.59	11.15
South Asia	0.72	0.91	1.38	0.14	79.99	67.89	23.89	5.87	0.02	0.08	1.12	0.38	27.03	8.80
Sub-Saharan Africa	2.55	6.78	n.a.	n.a.	3.77	2.05	1.16	0.64	2.11	0.65	0.71	4.38	3.53	3.51
High income														
Upper middle income	35.02	10.04	21.38	1.34	16.46	3.25	0.58	0.16	6.88	0.32	5.68	2.01	21.50	7.12
Lower middle income	16.97	19.22	8.89	0.34	17.37	9.97	n.a.	n.a.	2.37	3.37	3.46	2.22	4.49	6.15
Low income	2.90	3.48	1.84	1.22	50.62	36.49	13.97	2.47	2.08	1.73	0.69	0.22	17.28	5.72
World	0.93	0.71	n.a.	n.a.	5.18	1.97	1.91	2.52	2.45	1.11	0.03	1.63	4.55	7.00
World														
World	4.77	13.50	2.69	1.22	36.92	14.09	9.56	0.30	1.26	3.01	1.12	2.47	14.00	5.71
Transfer size <sup>2/</sup>														
East Asia & Pacific	0.39	0.41	0.17	0.32	0.05	0.12	n.a.	n.a.	n.a.	n.a.	0.64	0.87	0.11	0.96
Europe & Central Asia	0.82	2.39	n.a.	n.a.	0.18	0.32	n.a.	n.a.	0.31	n.a.	1.20	5.05	0.44	0.83
Latin America & Caribbean	0.62	0.58	0.55	0.84	0.36	1.50	n.a.	n.a.	0.16	0.13	1.22	3.45	0.48	2.62
Middle East & North Africa	0.47	1.40	n.a.	n.a.	0.04	0.13	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.12	0.52
South Asia	0.13	0.64	0.04	0.09	0.03	0.05	0.17	0.31	0.14	0.13	0.11	0.24	0.03	0.17
Sub-Saharan Africa	0.82	0.86	n.a.	n.a.	0.02	0.58	0.01	2.24	0.01	4.11	1.04	2.57	0.19	1.15
High income														
Upper middle income	1.07	2.09	0.97	1.53	0.45	1.85	n.a.	n.a.	0.16	0.12	1.54	4.72	0.61	1.66
Lower middle income	0.50	1.93	0.54	0.60	0.06	0.16	n.a.	n.a.	0.14	0.25	1.35	2.68	0.35	0.65
Low income	0.41	0.98	0.15	0.49	0.02	0.08	0.17	0.31	0.02	0.14	0.17	0.99	0.03	0.25
World	0.02	1.03	n.a.	n.a.	0.03	0.62	0.01	2.23	n.a.	5.06	0.14	0.18	0.17	0.93

1/ Coverage measures the percentage of population participating, directly or indirectly, in social assistance and social insurance programmes.

2/ Transfer size measures the average transfer amount of social assistance programmes among beneficiaries in daily per capita US\$ adjusted by purchasing power parity (PPP).

Note: The colour scale captures the distribution of coverage and transfer size, from dark green capturing the highest values to dark red capturing the lowest values, in the corresponding distribution. 'n.a.' stands for not available information.

Source: Author, based on World Bank (2019a).

More recently, there has been a gradual shift in middle-income countries, particularly in Latin America, towards the inclusion of non-contributory social health insurance schemes as part of social protection systems, with the aim of expanding access to health services while reducing the catastrophic effects that out-of-pocket health expenses and risk-copying strategies can have on the poor (P. Gertler and Gruber 2002; Mohanan 2013; Wagstaff 2007). Prominent examples of these social health protection systems are Chile's Social Health Insurance program, Mexico's *Seguro Popular* and Brazil's *Sistema Único de Saúde*. Social health insurance schemes have emerged in a period of a rapid epidemiologic transitions and the growing threat of non-communicable diseases, such as cancer, cardiovascular diseases, diabetes, and respiratory diseases that are the result of changes in habits, life styles, and a deterioration in the environment in which a growing population live, particularly in urban conglomerations (Terzic and Waldman 2011). Current estimates indicate that over 80 per cent of deaths related to diabetes and cardiovascular diseases; 90 per cent of deaths caused by respiratory diseases, and nearly 70 per cent of cancer-related fatalities occur in developing countries (Fuster Valentin, Kelly Bridget B., and Vedanthan Rajesh 2011), and these figures are likely to deteriorate over the next decades without active preventive and curative health policy strategies (Mathers and Loncar 2006). It is against this backdrop of public health threats that the provision of comprehensive health care has become a matter of strategic priority for developing countries.

Despite the positive externalities that a broader and more inclusive provision of health care can generate, irrespective of the desirable reductions in health inequalities (Wagstaff 2002; Woodward and Kawachi 2000; Adler, Glymour, and Fielding 2016), there are concerns in the public debate about the unintended consequences that social health insurance can generate in the labour markets via distortions in the incentive mechanisms that lead to efficiency losses and informality (Levy and Schady 2013; Conti, Ginja, and Narita 2018). This is a contested area that has been examined in few country cases (Azuara and Marinescu 2013), and which requires further examination in future research work.

In parallel to the epidemiologic transitions that developing countries have witnessed over the past two decades, there has been a rapid urbanization process, particularly in sub-Saharan Africa, East Asia and South Asia that has seen more than doubling the proportion of the urban population since the 1960s.<sup>5</sup> A rapid urbanization process in growing market-oriented economies with abundant unskilled labour resources have inevitably put pressure on governments to address unemployment among a large unskilled working population.

It is in these contexts that public works have emerged as an important policy response, particularly in South Asia and in some countries of sub-Saharan Africa, where coverage is reaching nearly one-fourth of the poorest population. Public works provide income support in exchange of labour supply to build infrastructure, such as rural roads, irrigation systems and school and health clinic facilities. Income is usually offered at levels below the market wage rate in order to attract the poor, who self-select into programme participation. This is reflected in the small contribution to household income, which in South Asia is, on average, less than one-fifth of a US dollar a day (see Table 2). Emblematic examples of public works are India's National Rural Employment Guarantee Scheme (NREGS), the world largest social assistance programme, covering over 51 million

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<sup>5</sup> While Latin America is the region with the largest urban population in the world (about 80%), it is sub-Saharan Africa, East Asia and South Asia the regions that have experienced the fastest growth rate of urbanization, from just about 15%, 22% and 17% of total population living in urban areas in 1960 to about 40%, 60% and 34% in 2018, respectively (World Bank 2019b).

households, and Ethiopia's Productive Safety Net Programme (PSNP), the largest public works in Africa, providing income support to 7.6 million vulnerable households (UNU-WIDER 2018).

The 'productivist' approach of public works also have some political attributes as they appeal to many governments that are concerned about welfare dependency and are often engaged in the endeavour of persuading a small taxpayer base about the benefits of financing policies that target the poor. Public works are relevant for at least two reasons: first, climate shocks have become more frequent and co-occurrent, leaving millions at the risk of hunger every year (Cottrell et al. 2019; Wheeler and von Braun 2013). Public works in that respect, are expected to mitigate the adverse effects of variations in the economic conditions that threaten food security, consumption smoothing and productive assets among the poor. Second, most developing countries do not have effective counter-cyclical policy instruments to alleviate the impact of macroeconomic crises, which often impact the poor hardest (Stiglitz 1999; Ocampo 2002; Talvi and Végh 2005).

### **3 Welfare and redistribution in social assistance**

One of the most distinctive features of social assistance programmes is their focus on poverty. There are normative and political economy justifications for a poverty focus in social assistance. From a normative perspective, the literature on welfare economics has shown that policies that focus on the poorest are welfare-enhancing (Arrow 1951; Rawls 1971; Sen 2011; 1970). This is because under the law of diminishing marginal utility, any transfer of income would produce the greatest marginal increase in utility if it is directed to the worst-off. As Rabin (2000: 1281-92) has put it lucidly, 'a dollar that helps us avoid poverty is more valuable than a dollar that helps us become very rich'.<sup>6</sup> These normative principles have provided a solid ground for a poverty targeting approach when designing and implementing social assistance programmes. In fact, recent evidence shows that under budgetary constraints, poverty targeting performs much better than universal programmes in terms of welfare gains, even after accounting for the diminishing effects of imperfect targeting due to exclusion and inclusion errors (Hanna and Olken 2018; Grosh and Leite 2009).

From a political economy perspective, collective views about the causes of poverty have also played an important role in persuading political constituencies and actors to support policy interventions that benefit the 'deserving' poor (Barrientos and Neff 2010). In Latin America, for instance, the 'conditionalities' attached to the poverty focus of CCTs, were introduced to ensure public support in the expansion of these programmes (Niño-Zarazúa 2020).

Indeed, the scaling up of social assistance has coincided with important democratic transitions that have seen many countries moving towards more competitive electoral systems (de Haan and Sturm 2003). More competitive political systems have also meant that political incentives for the opportunistic incumbent to manipulate spending on social assistance has been salient across the Global South (Block 2002). Thus, rigorous targeting mechanisms have been increasingly adopted to constrain political clientelism, although with limited success (Filipovich, Niño-Zarazúa, and Santillán-Hernández; Rawlings and Rubio 2005; Sewall 2008).

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<sup>6</sup> The implicit greater weight given to the income that is channel to the poor also satisfies the Pigou-Dalton Principle, which states that an income transfer from the rich to the poor results in greater equity as long as the transfer does not reverse their position. (Dalton 1920).

## 4 Growing body of evidence on the impact of social assistance

Particularly relevant for central theme of this collection is the fact that the expansion of social assistance has been accompanied by an unprecedented and growing body of evidence examining the effects and causal mechanisms through which social assistance, and its various modalities, impact welfare outcomes and tackle the structural causes of poverty and high levels of inequality in the developing world.<sup>7</sup>

The vast majority of studies have focused on first- and second-order effects of social assistance programmes, mainly in the short and medium term, and on a wide range of issues including household consumption and poverty (Skoufias and Di Maro 2008; Angelucci and Attanasio 2009; Gertler, Martinez, and Rubio-Codina 2012; Skoufias, Unar, and Gonzalez de Cossio 2013); education and learning (Barrera-Osorio et al. 2011; Benhassine et al. 2015; Baird, McIntosh, and Ozler 2011; Macours, Schady, and Vakis 2012; Filmer and Schady 2011); health care (Fernald, Gertler, and Neufeld 2008; Barham and Maluccio 2009; Attanasio, Oppedisano, and Vera-Hernández 2015; Barber and Gertler 2008; J. Behrman and Parker 2013); nutrition (Jere Behrman and Hoddinott 2005; Fernald and Hidrobo 2011; Leroy et al. 2008; Miller, Tsoka, and Reichert 2011; Ramírez-Silva et al. 2013), assets protection and asset accumulation (Covarrubias, Davis, and Winters 2012; Maluccio 2010; Masino and Niño-Zarazúa 2018; Todd, Winters, and Hertz 2010); and employment and labour market outcomes (Asfaw et al. 2014; Barrientos and Villa 2015; Alzúa, Cruces, and Ripani 2013; Ardington, Case, and Hosegood 2009; Attanasio et al. 2010).

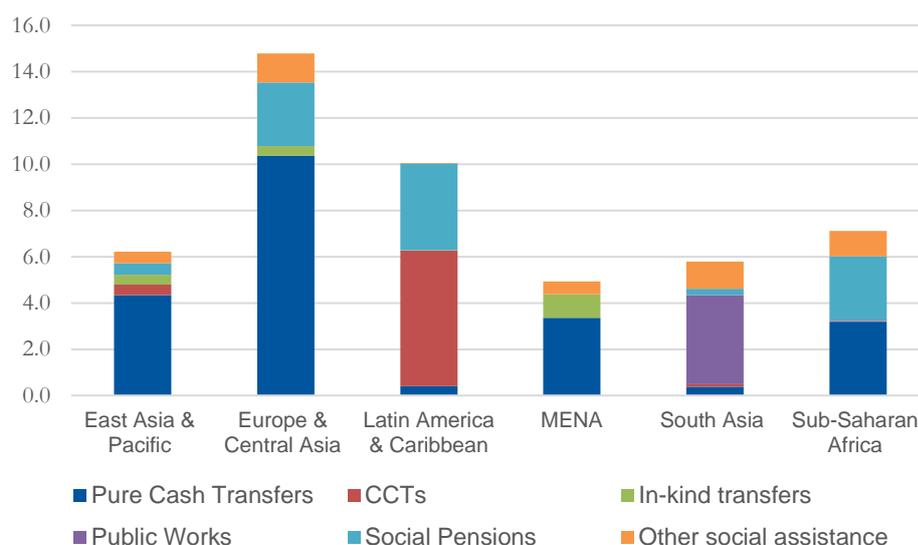
Overall, the literature highlights largely positive treatment effects of social assistance on household consumption expenditure and poverty reduction; school enrolment and attendance—although the evidence on learning outcomes remains ambiguous; health care and anthropometric measures; savings and productive assets such as livestock and agricultural inputs; and in the case of adult labour force participation, and its intensity, studies seems to overwhelmingly reject the proposition that social assistance can generate welfare dependency among the poor. The body of evidence, however, vary considerably in terms of the magnitude, direction and statistical significance across different socio economic contexts (Bastagli et al. 2019; Barrientos and Niño-Zarazúa 2010; Malerba and Niño-Zarazúa forthcoming).

Since social assistance programmes act as a redistributive mechanism that largely benefit the poor and vulnerable, they are expected to have sizable effects on aggregate welfare including on the poverty incidence and inequality, particularly in contexts where these programmes are implemented to national scale (Barrientos 2010; Fiszbein and Schady 2009; Fiszbein, Kanbur, and Yemtsov 2014; Gough et al. 2004). Indeed, results of simulation analysis presented in Figures 2 and 3 show that the poverty and inequality reducing effects of social assistance vary considerably across world regions, and they largely depend on the design features of programmes, their scale, scope and generosity. In Latin America, for instance, CCTs and social pensions account, respectively, for a 6 per cent and 4 per cent of the poverty headcount reduction at the first quintile of the income distribution, and for a 1.3 per cent and 0.7 per cent of the reducing effect on the Gini coefficient. In South Asia, public works are the main contributor to poverty (3.8 per cent) and inequality (1 per cent) reduction, whereas in sub-Saharan Africa, pure cash transfers such as family and orphan allowances, and social pensions are the main contributors to poverty and inequality reduction among all social assistance programmes.

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<sup>7</sup> For reviews of the literature on the impact of social assistance programmes, see Baird et al. (2013); Barrientos and Niño-Zarazúa (2010); Bastagli et al. (2019); and Malerba and Niño-Zarazúa (forthcoming).

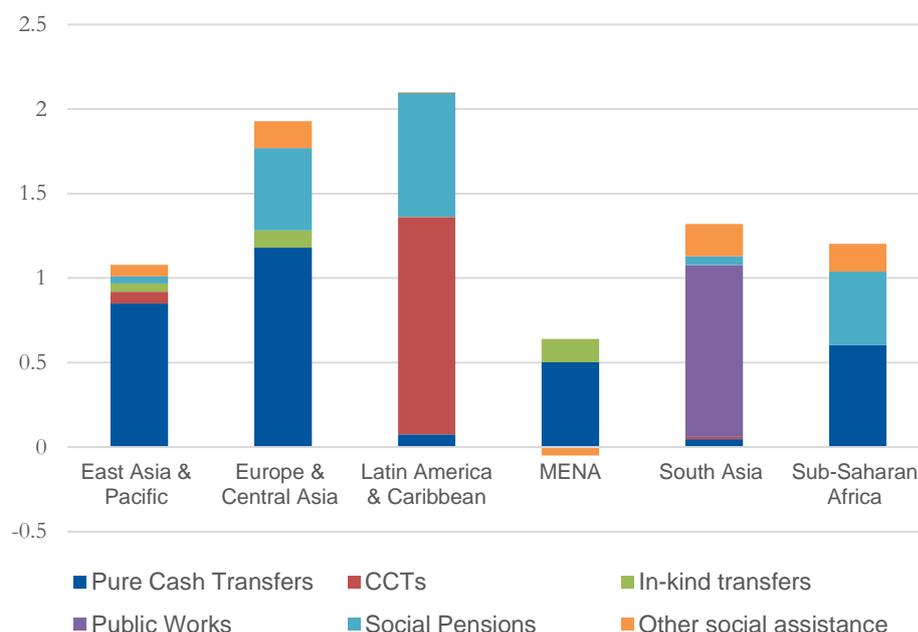
Figure 2: Poverty headcount reduction effects (in %) by type of social assistance programme



Note: Estimates based on simulated changes in the poverty headcount at the 1st quintile of the income distribution due to social assistance programmes. The poverty headcount ratio is measured assuming a pre-transfer welfare distribution.

Source: Author's illustration based on World Bank (2019a).

Figure 3: Inequality reduction effects by type of social assistance programme



Note: Estimates based on simulated percentage changes on the Gini coefficient due to social assistance programmes. The Gini coefficient of the population's income distribution is measured assuming a pre-transfer welfare distribution.

Source: Author's illustration based on World Bank (2019a).

While current scholarly work and theories have made important strides in advancing our understanding of the first- and second-order effects of social assistance, there is limited knowledge base and research undertaken on the distributive, and long(er)-term effects of these programmes. This is not surprising because of at least two reasons. First, the new wave of social assistance is

mostly a recent phenomenon. Even the oldest programmes such as Mexico's *Progres-a-Oportunidades-Prospera* and Brazil's *Bolsa Familia* were introduced in the late 1990s and early 2000s, meaning that until very recently it became feasible to examine their longer-time effects.<sup>8</sup> Second, apart from studies conducted mainly in Latin America, most impact analyses have relied on experimental and quasi-experimental research designs that cover the initial phase, often at the pilot stage, of programmes (Bastagli et al. 2019; Malerba and Niño-Zarazúa Forthcoming). As a result, while the current tome of literature on social assistance continues to grow rapidly, it still faces considerable challenges in terms of external validity and generalizations across heterogeneous populations and diverse socio-economic contexts, in which welfare-benefit programmes usually operate.

## 5 Future challenges for research on social assistance

Enquiries into how effective social assistance systems have been as a redistributive policy tool, and the extent to which the design features of programmes can effectively address the structural roots of poverty and inequality, are widely debated issues in industrialised countries and are at the core of the current research frontier in the Global South. We have limited knowledge on the redistributive effects of social assistance, especially occurring between generations, and the potential incentives and distortion mechanisms that these programmes can generate in the labour markets. Moreover, we know very little about the longer-term and gender-specific welfare effects of social assistance, in terms of school and occupational achievements across socio-economic groups and contexts.

Some recent studies published in a WIDER special issue in *Population and Development Review* have aimed to address some of these vital questions. The studies by Arza (2019), You and Niño-Zarazúa (2019), Amarante and co-authors (2019), and Sari (2019) speak to questions formulated to address redistributive considerations of social assistance programmes, whereas the studies by Sebastian and co-authors (2019), Canela and Niño-Zarazúa (2019), Neidhöfer and Niño-Zarazúa (2019), and Palacio (2019) address questions that look at the longer-term and gendered welfare effects of social assistance.

Arza (2019) examines the recent expansion and dynamics of old-age social pension schemes in 14 Latin American countries and identifies core programme features and policy strategies that affect the effectiveness of these programmes. The study highlights two models that have achieved high coverage rates of social pensions: one characteristic of countries with aging populations and more advanced social security systems and another one characteristic of countries that implemented limited universal social pension schemes. The study shows that despite the expansion of social pensions in Latin America, these systems remain insufficient in their protection, so the family continues to play a key role in shielding people in old age against idiosyncratic and systemic risks.

Another study in the collection that looks at social pensions and their intersection with the family institution, but from a long-term perspective, is the one by You and Niño-Zarazúa (2019). They examine the effects of China's New Rural Pension Scheme on intergenerational transmissions of wealth. They found that while the social pension has had positive effects on the wellbeing of the elderly, it also had a detrimental intergenerational redistributive effect, since it has mainly supported better-off families to accumulate wealth, while hampering wealth accumulation among

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<sup>8</sup> A few notable exceptions that have taken a longer-term perspective include (Araujo, Bosch, and Schady 2018; Baez and Camacho 2011; Barham, Macours, and Maluccio 2013; Behrman, Parker, and Todd 2011; Fernald, Gertler, and Neufeld 2009; Gertler, Martínez, and Rubio-Codina 2012; Hahn et al. 2018; Handa et al. 2018)

the poorest. The authors conclude that in the absence of complementary interventions, the New Rural Pension Scheme is likely to further strengthen intergenerational wealth inequality in China.

The study by Amarante and co-authors (2019) also take a redistributive focus in their analysis of the expansion of Uruguay's National Care System, which provides childcare services and home-based care for dependent elderly. They found that the redistributive effects of these welfare-benefit programmes are limited, partly due to the demographic structure of the country, although the effects would increase with a more active female labour force participation. Better childcare services for poor children would also facilitate school achievements and future income, which in turn could have an equalising effect in the long run, although this conditional upon the tax structure.

Education plays a key role in enhancing the welfare effects of social assistance, although this can materialise through intricate channels. The study by Sari (2019) in Indonesia, looks in particular at the case of decentralization in the provision of educational assistance. She finds that decentralization led to improvements in the quality of education by increasing the provision of educational assistance in marginalised private schools; however, this occurred mainly as an unintended consequence of decentralisation. Indeed, decentralisation seemed to have facilitated rent-seeking behaviour and collusion between village authorities and private schools which primarily cover the poor school age population; however, the increased allocation of public resources to private schools led to positive school outcomes among poor pupils, although at the cost of undermining the efficient allocation of public goods.

The literature highlights the crucial part that education plays at securing economic progress and improving income distribution in the medium and long term (Abdullah, Doucouliagos, and Manning 2015; Gregorio and Lee 2002; Charles and Hurst 2003), although it is often perceived as an unaffordable good by the poor (Banerjee and Duflo 2007). CCTs have been explicitly introduced to address, at least partially, the direct and opportunity costs of schooling and the associated shadow prices of child labour.

The study by Canelas and Niño-Zarazúa (2019) investigates the impact of Bolivia's Bono Juancito Pinto, a CCT aimed at improving enrolment, retention, and completion rates of pupils in public schools. The authors provide the first longer-term impact estimates of BJP on schooling and child labour decisions. They found evidence that the program increased school enrolment rates but did not change the incidence and intensity of child labour. The results highlight two key issues for policy design. First, sustaining the real value of transfers overtime is essential to compensate the opportunity cost of schooling, particularly at critical school-labor market transitions. Second, normative factors and lax legal frameworks that regulates child labor can limit the effectiveness of welfare-benefit programmes in the longer-term.

Similarly, the study by Neidhöfer and Niño-Zarazúa (2019) takes a longer-term perspective to examine the impact of *Chile Solidario*—a CCT introduced in Chile with the specific objective of tackling extreme poverty—on educational achievements and labour income of adults who were beneficiaries of the programme in childhood. The authors found that individuals who spent their childhood in poverty but received Chile Solidario achieved 1.2 more years of schooling and about a 15 per cent increase in the average monthly labor income. While programme effects on schooling were similar among women and men in the case of labour income, they were only significant in urban areas and for men and women with no children. This gender dimension seems to indicate that the impact of Chile Solidario may be constrained by structural factors that underpin the functioning of labor markets in Chile.

Indeed, gender considerations in the labour market are key to understand the degree of effectiveness of social assistance programmes, especially in societies where patriarchal systems are dominant. Concerns about the roots and consequences of sex-specific preferences in households' investment in children's human capital, and the gender roles that can be reinforced by transfer programmes in traditional settings are explicitly analysed in the studies by Sebastian and co-authors (2019) on Lesotho's Child Grants Programme, and Palacio (2019) on Ecuador's *Bono de Desarrollo Humano*, respectively.

Sebastian and co-authors (2019) investigate gender differences in household child investment behaviour arising from participation in the Lesotho Child Grants Program, a cash transfer programme directed to poor households with children. They found that the programme had especially positive effects among girls who spend more time at school. As in the Bolivian case, the results also suggest that the cash transfer was insufficient to compensate for the opportunity cost of boys' time in education, given the structure of the rural labour markets in Lesotho. A central policy conclusion from the analysis is that in order to maximise the potential social impact of the programme, it would need to differentiate the level of transfer size according to the perceived cost of schooling by sex and age of the pupils, as it occur in other contexts.<sup>9</sup>

Finally, but not least, the study by Palacio (2019) provides an analysis of how programme features of Ecuador's Bono de Desarrollo Humano, may be unintendedly reinforcing traditional gender roles that prevent women from more actively participating in the labour markets. Thus, in contexts in which childcare support are limited, CCTs can lead, at best, to women's participation in the informal labour market, which is more 'accommodating' to childrearing responsibilities. The findings of the study are relevant as they underscore the need to account for the structure and functioning of labour markets when designing social assistance programmes aimed to tackle structural gender inequalities.

## 6 Concluding remarks

While important strides have been made in the implementation and expansion of social assistance in the Global South, significant policy challenges and knowledge gaps remain. As the studies in this supplement have pointed out, these challenges are linked to aspects of programme design, the interlink between the incentive mechanisms that social assistance and specific policy decisions can generate in school decisions, labour market participation and other welfare dimensions in the longer-term. The findings these studies indicate that today, social assistance systems not only face the challenge of improving education and health outcomes among children, or protecting vulnerable groups against income shocks, but perhaps more importantly, finding ways to support more transformative and lasting third-order social impacts.

However, this can only be achieved if we improve our understanding of the structures, rules and social norms that govern markets and institutions in developing countries. Indeed, as the studies in the aforementioned collection have convincingly shown, these mediating factors, together with errors in policy design, continue to hamper collective efforts to bring more opportunities to disadvantaged groups including women and children, who are often on the losing-side of anti-poverty interventions.

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<sup>9</sup> In Mexico, for instance, Progres-a-Oportunidades-Prospera programme increases the amount of the education grant with school progression, and especially so for girls, with the explicit objective of providing incentives to keep girls at school (Niño-Zarazúa 2020).

Errors in policy design are normal and can occur regularly, but it is crucial to learn from these mistakes and take decisive actions to fine-tune existing programmes and avoid future failures. Research in that context has a fundamental role to play. However, much work is still needed to better understand the long-term welfare and redistributive effects of social assistance and their interplay with labour and insurance markets and tax policies. I trust the studies in this supplement will contribute to the debates around how to improve the effectiveness of social assistance.

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