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The Richard M. Titmuss Memorial Lecture

"MEANS TESTED BENEFITS IN COMPARATIVE PERSPECTIVE"

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THE RICHARD M. TITMUSS MEMORIAL LECTURE

Richard M. Titmuss was appointed Professor of Social Administration at the London School of Economics in March 1950, a position which he held for the rest of his life until 1973. He was one of the outstanding and original social scientists of his generation and in his research, lectures and personal encounters shaped anew the whole concept of social policy in Britain and abroad. For a period of three decades he exerted immense influence in scholarship, politics and government at home and in many countries throughout the world.

Richard Titmuss was a great friend of Israel. His thought and work very much influenced the study of social policy in Israel, and he left a lasting imprint on the social policies of the country. The lecture series in his memory has been made possible with the kind help of his friends in the United Kingdom and by a generous grant of the National Insurance Institute of Israel.

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Introduction

I first met Richard Titmuss many years ago at one of the first conferences of the Social Administration Association at Nottingham University. I was a young lecturer sitting alone in the bar in the early evening when Professor Titmuss spotted me, strode up and began engaging me in conversation. As I recall we talked for an hour or more. I was immensely impressed that this distinguished figure should spend so much time with a nobody at this special occasion. The story is typical and does so much to explain the respect in which he was held.

Titmuss also had much to say about the topic I am speaking on today. In his article published in The New Statesman in 1967 he took issue with both old-style means testing descended from the New Poor Law and with the naive 'computer solutions' then being touted by the Economist, the Institute for Economic Affairs, parts of the Conservative Party and others. He opposed them on moral, consequential and administrative grounds. Titmuss was a moralist for whom social integration and a substantial degree of equality were the mutually reinforcing bedrocks of a good society. Means-testing generated stigma and undermined the sense of community on which social integration depended. As a consequence of this means-testing did not actually produce the benefits for the poor claimed for it: 'separate state systems for the poor', he wrote, 'tend to become poor standard systems' [1968: 142]. Administratively such testing ignored the daily reality of life in the 1960s (let alone the 1990s). In a typical sentence he writes:

'How would a computerised code number relating to circumstances 1 ½ to 2 ½ years ago deal with changes in requirements and resources brought about by birth, children leaving school, marriage and re-marriage, divorce, separation, desertion, death, adoption, illness, disablement, retirement, fires and disasters, institutional care (hospitals, homes for old people, children's institutions and many other forms of institutional care), unemployment, new jobs, new housing and rents, boarders, inheritance, capital appreciation, windfalls and [at this point he was beginning to tire!] a multitude of change factors altering the composition, responsibilities, requirements and resources of individuals and families?' [1968: 119].

Against this vision he posed a welfare state based on the principles of

universalism and what Deacon has called non-judgementalism - that benefits and services should not be subject to conditions as to behaviour [Deacon, 1993: 237]. Yet Titmuss was not opposed to all forms of 'selectivity'. 'There is a case', he wrote, 'for more selective services and benefits provided, as social rights, on the basis of the needs of certain categories, groups and territorial areas ... and not on the basis of individual means' [1968: 114]. So what we now call targeting is not ruled out. But he went further than this. In the same paper he asks, apropos finding more money for social services, 'Why not raise fees for all university students [and] stiffen the parental means-test...?' [1968: 122]. Clearly some means-tests not focused solely on the poor were acceptable. Later he would also make a plea for administrative discretion in the allocation of some benefits and services to avoid the excessive litigation and inflexibility arising from exclusive reliance on legal, enforceable rights.

Titmuss ends up, then, with a more nuanced perspective on targeting, selectivity and means-testing than might appear at first sight.

My intention in this paper is to re-open some of these issues a generation on from Titmuss in the light of modern experience and, crucially, to set them in an international context. It is a remarkable fact that there is virtually no comparative analysis of social assistance and other income-tested schemes in the Western world. We have little centralised knowledge of the numbers of schemes, their categorical benefits or beneficiaries, how benefits are calculated, whether they are rights-based or discretionary, the conditions attached to benefits, the levels of government responsible for financing and operating them, or of their effectiveness in reducing poverty or their efficiency in targeting those in need.

This despite the notable fact that the scope and size of means-tested schemes is growing in most if not all OECD countries. Furthermore, in the new market economies of Central and Eastern Europe selective 'safety nets' are widely regarded as the essential social protection measure to accompany economic reforms. Interest in targeting, selectivity and income-testing continues to grow, in the West [Room, 1990], the East [Cornia and Sipos, 1991] and also in the South [Burgess and Stern, 1991].

This paper stems from the research which I and colleagues at the Social Policy Research Unit at the University of York are conducting during the present year. Unfortunately I am frustrated by the fact that this lecture has arrived just before most of the data will arrive, so what is attempted here is a conceptual and empirical grounding for our research. I am also aware that I am talking in the presence of people who have not only continued Titmuss' intellectual quest for a fairer system of social security but have also contributed to the creation of the present Israeli Income Support system which compares so well in many respects with social assistance in other countries.

My paper is in four parts:

- * An initial evaluation of means-testing.
- * A conceptual typology of the whole range of means-tested benefits.
- * A comparative map and analysis of means-testing across the Western world.
- * A conclusion in which I return to the evaluative issues with which I begin.

The rationale for and evaluation of means-testing

I begin with no general normative leaning towards or against means-testing, selectivity or targeting. It would take me too far afield to consider and evaluate all the rationales advanced for selectivity or for a social safety net. For Atkinson [1991] they include Rawlsian and other forms of redistribution, the provision of a national minimum, the pursuit of individual liberty, and certain economic goals. Yet some systematic normative criteria are needed if different social programmes are to be compared across nations and cultures. Such criteria should have a clear and compelling moral grounding and should have strong empirical links to the actual goals of social programmes in a range of countries.

In our book A Theory of Human Need [1991] Len Doyal and I have developed an evaluative criterion based on the recognition of universal human needs. I would like to say more about our book here but there is time only for a few basic points. We identify two basic needs - health and critical autonomy. We argue that all persons should have the right to optimum levels of satisfaction of these needs [Doyal and Gough, 1991, part II]. This generates a more specific right - to that minimum bundle of need satisfiers required, in any particular social

setting, to achieve this optimum need satisfaction.

We argue that this in turn requires a strong welfare state to guarantee a right to such a minimum. However it does not necessarily entail that the state directly provides these satisfiers. They could be provided through market mechanisms or through alternative channels such as the family, community or voluntary organisations. In these cases however it is incumbent on the public authority to do two things: (a) redistribute monies so that people can purchase the necessary satisfiers, and (b) regulate and if necessary subsidise the alternative providers. Again, where redistribution is concerned, it does not follow that the state must allocate money - to enable people to purchase the need satisfiers - in a particular way. There is no trumping moral argument that favours contingency, insurance-based or means-tested schemes.

At this normative level, there is a case for and against means-testing. The fundamental requirement that all people should be given the wherewithal to purchase a given minimum amount of satisfiers provides powerful support for some forms of rights-based means-testing; one of its rationales is, after all, to target the worst off. On the other hand, if means-testing inevitably undermines the self-respect of applicants, as Titmuss sometimes contended, then this infringes our basic need for autonomy. One of the core constituents of autonomy of agency, we argue, is self-confidence - that people have enough confidence to participate in their social form of life [Doyal and Gough, 1991: 63]. Felt stigma and social exclusion thus harm personal autonomy. If, as Carol Walker claims [1993: 148], 'the link between means-testing and stigma is unbreakable', then it would be ruled out of court according to our theory of need.

More likely however, the case for or against means-testing, either in its social assistance or its selectivity guise, will depend on other lower-level and more empirical concerns. It is to these that I now turn.

The twin related arguments for means-tested social assistance is that it improves both the efficiency and effectiveness of reducing poverty for a given level of expenditure. The effectiveness of a poverty reduction scheme measures the proportionate reduction in the extent of (pre-transfer) poverty. The efficiency of a poverty reduction scheme measures the proportion of total transfers received by families in (pre-

transfer) poverty [See appendix A]. For a given total expenditure on transfers, both effectiveness and efficiency will be greater the more benefits are concentrated on those families who would otherwise be in poverty. In the extreme case, if the benefit paid is exactly equal to the difference between pre-transfer income and the poverty line, then both effectiveness and efficiency are equal to 100 per cent. This is a description of a completely selective system in which for every \$ of extra non-benefit income benefit is reduced by \$1. So, for any given level of benefit expenditure, greater selectivity or means-testing means both more benefits for the poor (greater effectiveness) and fewer benefits for the non-poor (greater efficiency).

Higher benefits for the poor contribute to the fundamental goal of optimal need satisfaction, if deprived need satisfaction is correlated with poverty.¹ Greater efficiency in this sense means that more money will be left over for other purposes including other social programmes. If we reject the economic optimism of Titmuss' time, which he himself embodied, and are confronted with scarce resources, whether for reasons of economic crisis or environmental constraint, then greater efficiency can also contribute to improved need satisfaction in other areas.

Against this, must be set several familiar criticisms levelled against means-testing, and some new ones too. The old, familiar problems include the following.

1. Targeting inefficiencies, notably 'Type 1 errors' or 'false negatives' which occur when eligible families are not awarded benefits [Atkinson, 1991]. This has occasioned much analysis of the poor 'take-up' rates of some benefits [Weinberg, 1987; Deacon and Bradshaw, 1983]. These are not easily improved through better programme design, dependent as they are on imperfect information and time costs as well as the perceived stigma and the objective 'ordeals' involved in claiming benefits.²

1. There are of course many cases where this identification cannot be made. For a discussion, in the context of Rawls' theory of justice, about the difficulties of defining the 'worst off' see Doyal and Gough, 1991: 238.

2. Type 2 errors - 'false positives' where benefits are awarded to ineligible people - are less discussed in the academic literature, though they have featured prominently in the present Conservative Party conference in Britain. However

2. Incentives and the poverty trap. Theoretically this problem is innate in all means-tested schemes since there is a logical trade-off between incentives to work and save and minimising total programme costs. Atkinson [1991] moreover shows just how complex are the decisions involved. Means-testing programmes may affect the decisions of employed family heads to work at all, or to work and earn more, or the decisions of their partners to work at all or earn more. Assets-tests can have similar effects on savings: people will have an incentive to spend or give away their capital assets in order to get below the asset limits for the receipt of benefit.

3. The level of benefits provided. The poverty reduction effectiveness argument assumes that the benefit level is independent of the structure of the benefit system. But some have argued that selective systems undermine the willingness of tax-paying middle classes to support these schemes. Universal systems on the other hand - whether contingency based or social insurance - are, it is claimed, more likely to attract greater political support, generate increased revenues and thus pay out higher benefits [Korpi, 1983]. There is some comparative empirical support for this. Using the Luxembourg Income Study data, Saunders [1990] suggests that there is a general inverse association between poverty effectiveness and reliance on means-testing. And Smeeding et al [1988] conclude that the reliance of the US on categorical, means-tested programmes is the main reason for its high rate of child poverty.

4. Administrative costs and errors. As Titmuss reminded us, means-tested programmes are in general more complex to administer than social insurance schemes, let alone pure categorical schemes. This results in higher rates of error even in well-established and relatively uncorrupt programmes like Income Support in the UK.³ Administrative costs are also incurred if more categorical targeting is adopted.

Goodin [1992] contends that in time the middle classes will always find ways of qualifying for benefits which were not intended for them - perhaps this can be applied to some claimants of Housing Benefit in Britain. Clientelism and corruption can also divert benefits to non-deserving groups, though these problems are certainly not confined to means-tested benefits.

3. Error rates in IS benefit calculation are around 6% compared with less than 1% for social insurance [Atkinson, 1992, p.18] and costs per benefit are much higher.

Saunders [1991] has shown how the Australian income support system has increased targeting in the 1980s through greater administrative surveillance of new and existing recipients, rather than through tighter means-testing.⁴ However means-testing adds to these problems and interacts with them. To take just one example, in assessing the eligibility of a houseowner for AFDC in the USA, enquiries must be made into whether and for how long the house has remained unsold and whether a 'good faith' effort to sell the house has been made. To monitor a combination of categorical conditions and means-tests like this can generate administrative procedures designed to restrict, not enhance, benefit eligibility, such as close surveillance, data-matching and the deliberate use of 'ordeals' in claiming.

To these well-known difficulties new ones have been added as a consequence of modern social and economic change. Critics associated with the campaign for a basic citizen's income argue that structural change is rapidly outmoding many features of contemporary welfare states including means-tested benefits. Goodin [1992] contends that there are three basic shifts which reveal still more clearly what he calls the 'presumptuousness' of income-tested policies.

5. The end of full employment [see also Offe, 1992 and van Parijs, 1992]. Many families are now faced with permanent reliance on welfare rather than a temporary spell. But this coexists with work in the hidden economy. Rose [1992] shows that the existence of extensive informal (and illegal) sources of income in Eastern Europe invalidates the use of income earned in the formal economy as a measure of overall resources [cf. Jordan et al, 1992].

6. The dissolution of the family. Goodin claims that an unwritten assumption behind the current welfare system is that all people live in stable family units within which there is equitable (though not

4. Closer categorical targeting can, of course, occur in social insurance programmes, as Atkinson and Mickelwright have demonstrated for unemployment insurance in Britain in the 1980s [Atkinson, 1989, ch.8], and in purely categorical programmes, such as the recent proposals to tighten up access to invalidity benefit in Britain.

necessarily equal) income-sharing.⁵ These assumptions have less validity now, with great implications for the workings of income-tested benefit programmes. For example, most social assistance schemes take the nuclear family living together in a household as the basic unit. The above changes entail either closer surveillance of the actual household membership, or a move towards an individualised system.

7. The decline of community. Goodin may be overstating the case when he contends that the present welfare system assumes that people are bound into strong networks of social support. However there is evidence that geographical mobility has increased [Peterson and Rom, 1990, ch.1], that people's circumstances are changing more rapidly, and that more are homeless and living outside households or conventional support networks. These social shifts mean that income-testing has to contend with rapidly changing needs, entitlements and claimant populations, which all push up administrative costs, errors and target inefficiencies.⁶

Surveying these familiar debates it is difficult not to conclude that the disadvantages of means-testing outweigh its advantages. We appear to confront a paradox: a scheme of social security with well-known and newly-emerging defects is increasingly advocated as a panacea to the problems facing welfare systems. Yet this conclusion would be too facile. For one thing, all the alternatives to means-testing face other problems. For another it is assuming one homogenous system, whereas in fact, I shall argue, we face a plethora of different systems. It is time to face up to this diversity.

A taxonomy of means-testing

5. Abel-Smith describes the family assumptions underlying the 1942 Beveridge Report as follows [quoted in Wicks, 1991]:

- marriages are for life
- sexual activity and childbirth takes place only within marriage
- married women normally do no paid work, or a negligible amount
- women do the housework and rear children
- couples who live together with regular sexual relationships are

heterosexual.

6. See Deacon and Bradshaw [1983], ch.6 for a study of the effect of the changing clientele on the administrative workload of Supplementary Benefit in Britain in the 1970s.

There are three, and only three, basic mechanisms by which the state can directly⁷ allocate income or services to individuals or households [see for example Atkinson, 1989]. The first mechanism is the 'universal' or citizenship benefit allocated to all citizens within a certain social category. These benefits are not related to income or employment status. Second, there is social insurance where the benefit is related to (a) employment status and (b) contributions paid in to the scheme. Both of these conditions can be interpreted more or less stringently. The third comprises means-tested benefits where eligibility is dependent upon the current resources of the beneficiary, though other categorical conditions may also apply. It is with this third type of state allocation system that I am concerned. The distinction between incomes and resources is important, the latter including assets and other non-cash resources. For this reason I prefer the term 'means-test' or 'resource-test' to 'income test'.

Means-tested benefits are sometimes referred to as 'targeted' benefits, but this is not a particularly helpful term. All existing benefits and services are targeted in some way on people in certain defined circumstances [Miller and Tomaskovic-Devey, 1990; Saunders, 1991]. Only a universal citizen benefit, such as the basic income guarantee, could properly be called a universal or non-targeted benefit. A better term for the first category of 'universal' benefit is 'contingency' benefit. For social insurance or means-tested benefits, there are then two layers of targeting: by contingency and by what Saunders calls 'entitlement'. The three sorts of benefit with which we began can then be represented as follows:

1. Contingency -----> 2. Social insurance (related to past contributions)

3. Means-tested (related to present resources)

In other words, social insurance and means-tested benefits are restricted according to two separate criteria, whereas contingency benefits are defined by only one.

Within means-tested programmes we can make three preliminary

7. 'Directly' restricts this to the provision of cash or non-cash benefits by state agencies. Other indirect methods include tax allowances and mandated private benefits or services. 'Individual and households' means that I exclude services targeted on specific spatial locations, though geography may enter into the definition of the contingency which the benefit or service is designed to meet.

distinctions:⁸

1. Between what I will call 'poverty-testing' and 'general means-testing'. The first is concerned to provide resources to people who would otherwise fall below a certain minimum standard of living. This may or may not be referred to as a poverty standard, but there is some recognition of providing a floor or 'safety net' below which nobody should fall. General means-testing, on the other hand, is concerned to relate benefits to current resources across a broader range of income groups - it may be no more than a means to restrict access by the well-off [cf. Eurostat, 1993: 6].

2. Between cash and 'tied' benefits. The former provide money benefits. These may be emergency relief payments to cope with disasters or exceptional needs, or more regular payments. 'Tied' benefits entitle the recipient to free or subsidised use of a specific service or to a refund of all or part of the charge for a specific service.⁹

3. Referring back to the definition of contingencies, there is in practice an important distinction between schemes for all people within a certain income/ resources group and those awarded to more specific categories within this group.

These three distinctions generate eight combinations as shown in Figure 1. In practice I can think of no benefit in cell 5 in any Western country. To simplify matters a little, I will distil five key schemes and will attach to them my preferred labels:

1. **Social Assistance or safety-net schemes.** These include all schemes which are poverty-tested

1a. **General assistance:** provides poverty-tested cash benefits for all people (= cell 1 above)

1b. **Specific assistance:** provides poverty-tested cash benefits for specific groups (= cell 2)

8. There are many others, for example: between discretionary and non-discretionary benefits; between income-tested and broader, resource- or means-tested benefits; between local and national schemes; and so on.

9. Since a tied benefit, eg housing allowance, can be paid in cash this term is less misleading than referring to 'in-kind' or 'non-cash' benefits.

1c. **Tied assistance:** provides poverty-tested access to necessities in the form of subsidised goods or services, whether in kind or in cash (= 3 + 4)

2. **Selective benefits** include all other means-tested schemes.

2a. **Selective cash benefits** (= 6)

2b. **Selective tied benefits** (= 7 + 8)

The crucial distinction between assistance and selective benefits is whether or not they are targeted at the poor (however poverty is defined in any particular country). In practice, means-tested benefits will be treated as non-assistance if the income ceiling above which they disappear is high relative to average incomes.

Thus social assistance is a subset of all means-tested benefits which are in turn a subset of all targeted benefits.

Towards a Comparative Map of Means-Testing

Figure 2 allocates all the major means-tested programmes in 10 countries to one of the five categories distinguished earlier in the paper. Please note that the nature of schemes can change over time, and that this evaluation is of their nature in 1980.¹⁰ Much of the table will be uncontentious, but let me justify some of the less obvious decisions.

The identification of general assistance schemes is not difficult in most countries, except for the USA where, apart from locally-based general assistance, there is nothing. However there is a strong case for regarding Food Stamps as a national, general poverty-tested scheme whose benefits take the form of increasing poor families' food purchasing power rather than their general purchasing-power. It is available to all groups with relatively few categorical restrictions and provides uniform benefits according to uniform rules throughout the

10. This is dictated by my use of the best source of systematic comparative data: the series of four volumes edited by Flora [1987]. This is augmented for the USA by the 'Green Book' [US Congress 1993] and, for Australia, by Saunders [1991] and Saunders and Whiteford [1989].

United States.

Means-tested cash benefits for specific groups pose special problems. The main criterion in deciding whether to allocate a benefit to group 1 or 2 is the generosity of the means-test and/or the height of the income ceiling above which the benefit is denied. Thus Danish pension personal supplements, the Belgian GIB for low-income pensioners and Italy's pensione sociali are all poverty-tested, though the income standard provided is much more generous in the first two than the last. On the other hand family allowances in Denmark, Switzerland and Belgium, though different in other ways, all provide payments to families below a fairly high income level [see Flora (ed), 1987, vol.4, various chapters]. German unemployment assistance - Arbeitslosenhilfe - offers another example of this. It provides means-tested benefits somewhat lower than the unemployment insurance scheme, yet the condition for receiving the benefit is having exhausted one's insurance benefit and the amount actually varies with previous earnings. It is in effect a continuation of unemployment insurance in a different form, and for this reason is not regarded as a poverty-tested benefit in Table 2.

In the USA, Food Stamps, AFDC and SSI jointly provide benefits below the official poverty line after a harsh poverty test. On the other hand, Earned Income Tax Credit, which targets tax relief to low-income taxpayers with children, in 1991 paid maximum amounts to people earning below \$11944 and did not phase out the credit until earnings reached \$22561. These earnings are substantially higher than the poverty line of \$10860 for a three person family and \$13924 for four persons. In Australia until 1969 most benefits for the aged, invalids and lone parents were poverty-tested benefits. But in that year a 50% taper was introduced which, together with generous disregards, meant that the ceiling income for receipt of benefit exceeded average per capita household disposable income and that most persons in the eligible groups receive some benefit. On the other hand, unemployment and sickness benefits are paid under conditions similar to those applying to Income Support in the UK, although the assets tests are far more generous.

Lastly, housing benefits are regarded as a tied assistance benefits in all these countries except for Sweden and Norway. Swedish housing allowances were received by 20% of all households in 1975 and by

13% in 1980. Even in the early 1980s, about 40% of all households with children were helped directly with their housing costs [Olsson, 1990, ch. iii.2]. These allowances benefited median income earners as well as the poor, in sharp contrast to the situation in Britain and Germany, for example [Kahn and Kamerman, 1983, p.229]. Housing allowances in Norway are available to a variety of categories of households, including recipients of invalidity benefit and several sorts of pensions. They are frequently, but not always, means-tested and were received by 6.6% of households in 1982 [Kuhnle, 1987, p.94].¹¹

Based on this framework, Figure 3 then shows public expenditure on social assistance and selective means-tested programmes in 1980 as a proportion of total public social expenditure for the ten countries. Of course a rise, say, in expenditure may indicate a shift in priorities in social security towards more targeting of benefits on the poor, a growth in the numbers of eligible persons, or more generous benefits (or any combination of these). Nevertheless, expenditure patterns provide a necessary first step in constructing a reliable and comparable map of means-testing in the Western world. Expressing means-tested expenditures as a proportion of total social spending reveals its relative weight and helps to identify different welfare regimes. I should add that, according to the reply given to me, Income Support in Israel accounted for 1% of total social security expenditure when introduced in 1982 rising to 5.2% last year.

The main findings for 1980 are as follows:

1. Reliance on all means-testing varies greatly, ranging from 1/3 of social spending in Australia and 18% in the USA to a minimal role in Norway and Belgium. This much is common knowledge, but the pattern changes when we differentiate between different forms of means-testing.

2. Assistance-type schemes play a qualitatively different role in the USA to any other Western welfare state. They are also significant in

11. For similar reasons German Sozialhilfe paid in the form of 'special benefits' to people in institutions is regarded as a non-assistance benefit - the income limit for benefit is about twice as high as for the regular cash benefits [Alber, 1987, p.283].

Britain, Australia, Italy and Switzerland.

3. Within assistance programmes, the US is also unique in its reliance on in-kind assistance, notably Medicaid - which in turn reflects its unique status as regards the public provision of health care. If Food Stamps are included, in-kind assistance schemes exceed 10% of public social spending. The issues of combining various assistance schemes, and the problems this poses for both the applicant and the welfare system, are consequently of a different order in the US to any other country.

4. Group-specific schemes are also more prevalent in the US; also in Australia and Italy. It is probable that the Italian pattern repeats in France and other Southern European states.

5. Consequently, within my group of countries spending on general cash safety-net schemes is highest in the UK and Switzerland. However, the nature of these schemes varies greatly between the national, rights-based, bureaucratised Income Support in Britain and the cantonal, discretionary, conditional and social-work administered schemes in Switzerland.

6. Turning to non-assistance schemes, clearly the Australian welfare state is unique in its reliance on selective, means-related benefits. The next highest spenders are rather surprisingly Sweden, due to its generous housing allowance programme, and Germany, with its educational allowances and aid to elderly people in residential institutions. Both these items are of growing importance in Britain - were they to be included in the data in Table 3, then Britain too would exhibit significant levels of non-assistance selectivity.

In conclusion, Figure 3 clearly reveals three basic patterns: an American one of a dominant public assistance state; an Australian one of a selective welfare state; and a European pattern where both forms of means-testing are rather small or negligible.

Means-testing in a comparative context

Aggregate expenditure data like the above hide important qualitative differences between national programmes and say nothing about their

real outcomes. This is where more comparative research is needed.¹² The only work to my knowledge which directly addresses this issue is by Lødemel and Schulte [1992] (see also Lødemel [1992]) in their comparative analysis of social assistance schemes in several European countries. This is the gap our research is intended to fill. Unfortunately, this lecture has come just a few weeks too early for me to be able to report on replies to our questionnaires. However I can draw on a few returns, plus other reading, to present some initial findings for six of our countries. In addition, the National Insurance Institute has supplied me with equivalent information for Israel to enable a comparison to be made.

Many criteria must be considered to properly compare different national programmes to evaluate changes over time in a national programme, as do Doron and Kramer [1991: 33]. Table 4 summarises information on just six attributes of each scheme. Of course it excludes many more, including vital facts such as the level of benefits provided, the extent and severity of the means-test, the method of uprating benefits, work and training requirements and so on. Let me look briefly at each country in turn and at the same time suggest some of the factors which may have contributed to these different national patterns. I do not claim here to offer rounded historical explanations - that would amount to a much bigger project. I can do no more than illustrate the sort of investigation required if social assistance is to be 'brought back in' to the story of the emergence of modern systems of welfare.

12. Most comparative research on income maintenance has looked at social insurance and universal benefits. The contributors to Walker et al [1984] studied assistance schemes in some EC countries providing useful information on both programmes and outcomes, but this is now out of date. Both Rein [1983, ch.5] and Jones [1985, ch.] offer insights on the varieties of forms of means-testing without systematically applying these to the analysis of specific countries. Kahn and Kamerman [1983] have estimated the effects of combinations of income support policies, including selective benefits, on the incomes of hypothetical families, a technique repeated by others, most recently by Bradshaw et al [1993]. Researchers using the Luxembourg Income Study database have extended the comparative investigation of the extent of poverty and of the effectiveness of income transfers at a highly aggregated level [see Mitchell, 1991]. Rimlinger [1971] and de Swann [1988] provide original interpretations of developments in social assistance. The contributors to Flora [1986] provide a mass of systematic information on most European countries. See also specific chapters in Dixon and Scheurell [1989].

Historical explanation also raises big theoretical issues which there is not time to discuss. Suffice it to say, I would still favour investigating three things: (a) the institutional legacy of poor relief, (b) class mobilisation and political representation and (c) state capacities and strategic initiatives. In particular, the institutional legacy of poor relief clearly diverges across these nations. There is a major division between those with a Poor Law system and those where charitable foundations predominate. Within each group we can make a further division. The Poor Law countries divide between those which developed a centralised system (Britain) and those where municipalities remained responsible (Scandinavia, the USA and Germany). The second group divides into those where the Church and religious foundations predominate (Italy and Germany) and those relying on other philanthropic bodies (in Britain, Australia and the USA). The class mobilisations and political conflicts of the twentieth century have been superimposed on quite divergent pre-modern systems of welfare.

Australia operates a coordinated system of national, uniform, rights-based assistance schemes alongside still more extensive means-tested selective schemes for 'pensioners', a term which includes groups such as lone mothers. One qualification to this citizenship-based system is the restrictive residence condition requiring a total of 10 years residence for receipt of, for example, Unemployment Allowance.

The Australian institutional background is rather unique. As a former penal colony there was no system of poor relief. Free paupers were dealt with by the Benevolent Society of New South Wales and subsequent philanthropic bodies. From the late 19th century, Castles has argued, a powerful working class could ensure economic security in the context of labour shortage through state arbitration of wages, protectionism and immigration control. This left only certain exceptional groups unprotected who could be catered for via means-tested benefits. When, in the 1960s and 1970s new groups faced poverty and exclusion, the typical combination of a strong labour movement and a right wing government fostered a distinct strategy - of generalising but liberalising means-testing [Kennedy, 1989; Castles, 1985].

In the USA, AFDC and General Assistance programmes lay down state and local residence conditions for entitlement to benefit (though rights are granted to the children of immigrants who themselves are

ineligible). Formal rights of appeal are only clearly established for SSI recipients. There is considerable variation in AFDC benefit levels between states and enormous variation in general assistance between localities - 28 states have no scheme covering the whole state. The unit of assessment for Food Stamp applicants is wider than the family - it extends to unrelated co-residents if they purchase food and prepare meals together. This is a fragmented assistance system of great complexity, including categorical and tied benefits, with no overall framework. There is no consistent right to a minimum standard of living, though Food Stamps come closest to it.

The poor relief inheritance in the USA is of variable municipally-run relief schemes, complemented in the 19th century by extensive charitable organisations. On top of this, new means-tested schemes accrued: special programmes for 'veterans' after 1862 and 'mothers' pensions' (mainly for widows) in the early 20th century. Powerful class forces, the absence of a sustained left party challenge, racial cleavages and robust states rights all prevented the emergence of systematic social insurance until the crisis of the great slump. The New Deal established work relief schemes, which persisted until World War Two, ADC and Old Age Assistance. This furthered the pattern of categorical and unequal public assistance programmes, a pattern which the Great Society program built on. The backlash against assistance benefits under Reagan can be traced to this division between social insurance and welfare benefits and the polarised class coalitions which it engenders [Handler and Hasenfeld, 1991, chs 2,3; Piven and Cloward, 1972; plus most of the contributions in Weir, Orloff and Skocpol, 1988].

Social assistance in Italy has certain similarities. There are many different schemes, including pensione sociali for low income retired people and in-kind means-tested provision of residential services and 'home assistance'. The role of Church agencies such as Caritas and other voluntary bodies is substantial. The provision of several benefits is mediated by social or health workers. Administration of almost all benefits is local and there are great regional variations. Italy has no national system of general social assistance, and relies on local authorities, the church, voluntary bodies and 'grandmother welfare' to substitute (imperfectly) for an official safety net.

Here religious charities (opere pie) provided the dominant form of poor

relief, though in the cities municipal poor relief also has a long history. As in Germany a highly differentiated, status-related set of social insurance institutions developed alongside these from the 1930s and expanded in the post-war period, but left the assistance patterns undisturbed. Jurisdiction for assistance was transferred downwards to the regions in 1972 and to municipalities in 1977. At the same time alternative non-governmental organisations flourished in the 1970s and 1980s. A dual system of social insurance and fragmented social assistance thus reemerged [Ferrera, 1989; Ministry of Internal Affairs, n.d.; Cerami, 1979, ch.3].

At the opposite extreme, the British system has moved furthest away from its Poor Law origins towards rights-based, uniform, non-discretionary income support. Since 1948 the provision of cash benefits has been separate from social services. However a categorical distinction persists between Income Support for non-earners and Family Credit for those in the labour market. This, plus the existence of a separate Housing Benefit scheme to allow for variations in housing costs, and several 'passport' benefits, contributes to a poverty trap.

The low flat-rate benefit system, generalised by Beveridge, fostered a reliance on means-tested benefits to supplement them. The Poor Law was simultaneously repealed (for the first time in the world?) in 1948 but its centralist, bureaucratic features lived on in the National Assistance programme. This in turn fostered a political constituency of assistance beneficiaries and the salience of poverty as a political issue. The relative underdevelopment of social insurance as an alternative led to a clash between universalist and selectivist solutions which the latter won. It was this debate to which Titmuss made such a distinguished contribution [Henriques, 1979; Mommsen, 1981, chs 1,3,12; Ritter, 1986].

After 1962 Germany moved towards the British pattern and in several respects it now has a more uniform and rights-based system than Britain. For example, Sozialhilfe is available to anyone who lacks the necessary resources and thus provides a true safety net in a way that British Income Support does not. On the other hand, the extent of family responsibility and liability is broader - extending to the income and savings of the applicant's parents and children whether or not they share a household with the applicant. This apart, Germany has moved towards the British model since the 1960s.

In other respects Germany is the classic example of Esping-Andersen's 'conservative' or Christain democratic welfare regime. The 'liberal break' in the third quarter of the 19th century was cut short by Bismarck's innovations in social insurance. From then on these expanded in coverage but altered remarkably little in structure. Special assistance schemes were developed to cope with the exceptional hardships following World War Two. But the labour market connection still left many excluded from core benefits, notably housewives and later on the long-term unemployed. These were covered by the development of Sozialhilfe and unemployment assistance. The former embodied assumptions about the responsibilities of extended family members reflecting the Catholic perspective of subsidiarity. The extensive Christian welfare agencies continued to flourish but concentrated more on benefits in kind [Ritter, 1986; Ross and Zacker, 1983].

Lastly, means-testing in Sweden, even after the 1982 reforms, exhibits a mixture of characteristics. There is a clear national framework and appeals system, yet social assistance is still quite decentralised in regulations and benefits and there is a closer link with social care services and treatment than in Britain or Germany. The work test is also quite severe. The fully universal Swedish welfare state coupled with a powerful commitment to full employment meant that there was little unemployment or poverty throughout the post-war period until the start of the 1990s. This encouraged the belief that recipients were in some way inadequate and hence cash assistance required a close link with social care and rehabilitation services. Yet other selective programmes developed, notably housing allowances, with a quite different *raison d'être*. They represent one of the best examples of the 'acceptable selective services' which Titmuss wished to see develop on the basis of an extensive infrastructure of universal services [Fridberg, 1993, chs 3-5].

In conclusion, considering just these six countries we are confronted with no less than five different patterns of means-testing:

The Australian selective welfare state
 The USA: an extensive but fragmented public assistance system
 Britain and Germany: institutionalised social assistance
 Italy: incomplete, fragmented and uncoordinated assistance
 Sweden: residual public assistance alongside selective family benefits.
 The modern Israeli scheme is closest to the institutionalised model of

Britain [Doron and Kramer, 1991, ch.3].

This both confirms and undermines the findings of Lødemel and Schulte [1992]. They conclude that patterns of social assistance covary with Esping-Andersen's [1990] three welfare state regimes, as modified by Leibfried [1991] who adds a fourth, Latin, 'rudimentary' welfare regime. The pattern in Italy conforms to what they label an 'incomplete differentiated poverty regime'; that in Sweden to their 'residual poverty regime'; and the British case does embody what they call an 'institutionalised poverty regime'. However, I disagree with their analysis of Germany which they characterise as a 'differentiated poverty regime' comprising several categorical schemes. Apart from Arbeitslosenhilfe, which I regard as a quite distinct and more generous selective benefit, this is not the case. Moreover, the inclusion of the USA and Australia alongside Britain undermines the view that Esping-Andersen's 'liberal regime' countries share a common pattern of social assistance [cf. Castles and Mitchell, 1991; Mishra, 1993].

Conclusion

By way of conclusion let me return to the debate over means-testing, selectivity and targeting with which I began. A comparative study of the great variety of schemes in the Western world dispels one basic assumption of the contemporary debate, at least so far as it has been conducted in Britain. There is no single 'model' of means-testing which one can be for or against. Instead there is a great variety - of individual programmes and of whole systems. The arguments must be tested against the various models on offer.

To take the criticisms listed at the start of my lecture.

- * Targeting errors, administrative complexity and poor take-up are products of schemes where stigma, discretion and the ordeals of claiming are high and where information is low. A proactive, non-discretionary scheme with entrenched procedural and substantive rights would appear to overcome many of these problems.

- * Disincentives to work and save are certainly prevalent in 'top-up' assistance schemes especially for those of working age. But they can be reduced by tapering benefits, providing generous disregards and by

rules carefully drawn to take into account their effects on the behaviour of other family members.

- * Titmuss' concern that benefits for poor people will be poor benefits is borne out especially in countries with a sharp divide between 'welfare' and 'social insurance'. The obverse is that means-tested schemes which stretch their benefits up the income scale attract considerable support, whether pensions in Australia or student grants in Britain.

- * The growing diversity of families and lifestyles poses problems for traditional assistance schemes based on family or household. The logical solution is to move towards individual means-testing and benefits. This is the case in some present categorical schemes such as Supplemental Security Income in the USA.

- * The remaining two problems are more unyielding. If more and more people live outside communal support structures and increasingly gain a livelihood in and around the hidden economy it becomes more difficult to assess their resources and entitlements. Here the solutions all tend to be less palatable: greater surveillance of applicants, either through informal methods using social workers or their equivalents to question neighbours and other informants to gain information, or through fraud squads and other formal methods of policing.*

This last approach would of course be an affront to the autonomy of beneficiaries and would be ruled out of court according to our theory of need. Furthermore, schemes which avoid some of these problems will undermine the primary case for means-testing - effectiveness in combatting poverty and efficiency in husbanding public expenditure. To individualise and taper benefits and extend them to higher income groups will increase costs and diminish poverty reduction efficiency. To make benefits increasingly anonymous and rights-based diminishes their flexibility and imposes rough justice on families and individuals who may otherwise differ greatly in their need.

These are old dilemmas which are not easily solved. But they do not justify a wholesale rejection of means-testing or of a selective safety net because all the alternatives face equivalent problems and dilemmas. Social insurance is even less flexible in accommodating the post-industrial world of fragmented labour markets and atypical work.

Swedish-style universal benefits require a degree of solidarism to sustain the tax burden which modern social trends make much more difficult to achieve. The radical solution of a basic citizens' income guarantee faces, for some of us, severe moral, economic and political problems. In any case the interim solution - of a partial basic income - almost always relies on means-testing as a backup.

The alternative is to learn from the variety of selective and safety-net schemes which modern history has thrown up to devise those acceptable forms of selectivity which Titmuss advocated.

Figure 1. Taxonomy of means-tested schemes

		All groups	Specific groups
Poverty-tested	Cash	1	2
	Kind	3	4
General means-tested	Cash	5	6
	Kind	7	8

1. **Social Assistance or safety-net schemes.** These include all schemes which are poverty-tested

1a. **General assistance:** provides poverty-tested cash benefits for all people (= cell 1 above)

1b. **Specific assistance:** provides poverty-tested cash benefits for specific groups (= cell 2)

1c. **In-kind assistance:** provides poverty-tested access to necessities in the form of goods or services (= 3 + 4)

2. **Selective benefits** include all other means-tested schemes.

2a. **Selective cash benefits** (= 6)

2b. **Selective in-kind benefits** (= 7 + 8)

Figure 2. Classification of Means-tested Benefits in 1980 and before.

Country	General Assistance	Specific Assistance	Tied Assistance	Selective Cash benefits	Selective Tied Benefits
Sweden	Socialhjälp				Housing allowances
Norway	Sosialhjelp				Housing allowances
Denmark	Social bistand	Pensions supplements; youth benefit	Housing supplements	Child allowances after 1978	
Germany	Sozialhilfe: non-institutional cash benefits		Housing allowances	Arbeitslosenhilfe	Sozialhilfe paid to institutions; educational allowances
Italy	Assistenza sociale diretta (central gov); assistenza pubblica (local gov)	Pensione sociali; pensione di guerra; invalid pensions	Home assistance	(Family allowances after 1986)	
UK	National Assistance/ Supplementary Benefit/ Income Support	Family Income Supplement	Housing Benefit		
Switzerland	Fürsorge: local and cantonal			Cantonal family allowances	
Belgium	Central, local and provincial assistance	After 1969: guaranteed pensions		Guaranteed family allowances; Disabled Persons Allowances	
USA	Food Stamps	Aid to Families with Dependent Children (AFDC); Supplemental Security Income (SSI); Veterans pension and compensation	Medicaid; Federal Housing assistance; Low-Income Home Energy Assistance; School Lunch/ Breakfast program; Special Supplementary Food Programs; Head Start; Job Training Partnership	Earned Income Tax Credit (EITC)	
Australia	Special benefit and other assistance	Unemployment and sickness benefits. Before 1969: all 'pensions'	Housing rental supplement	Age Pension; Invalid Pension; Sole Parents pension; Family Assistance	

Table 3.	Means-tested Benefit Expenditure as proportion of Total Social Expenditure, 1980					
Country	%gen.as	%spec.as	%kind.as	%tot.as	%cash.s	%kind.sete
Sweden	0.48	0.00	0.00	0.48	0.00	3.62
Norway	0.30	0.00	0.00	0.30	0.00	0.70
Denmark	2.87	0.00	0.00	2.87	0.00	0.00
Germany	1.08	0.00	0.44	1.52	0.41	2.52
Italy	0.34	3.87	1.53	5.75	0.00	0.00
UK	4.86	0.05	1.00	5.91	0.00	0.00
Switzerland	4.68	0.00	0.00	4.68	1.18	0.00
Belgium	0.90	0.28	0.00	1.18	0.00	0.00
USA	1.85	6.96	8.74	17.55	0.29	0.00
Australia	0.31	5.12	0.00	5.43	29.21	0.00

Sources. Means-tested expenditure: Flora, 1987, volume 4, US Congress, 1993, Saunders 1991.
Italy: also Ministry for Internal Affairs, n.d., p.82, table 16.

Social expenditure: OECD.					
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Figure 4. Features of social assistance schemes in seven countries

Country	Number	Central/ local benefit levels	Restrictive citizenship/ residence reqs?	Formal rights/ appeals	Unit	Link with social work
Australia	Several	Federal	Restrictive residence reqs	Yes	Individual/ family	No
USA	Many	Mixed: Federal, state and local	Varies: includes state and local residence reqs	Yes for SSI; less so for other benefits	Varies from individual (SSI) to household (Food Stamps)	[No]
UK	3	National		Yes	Family	No
Germany	2	National (+ regional)		Yes	Family - household	No
Sweden	1	National and local		Yes	Family	Yes
Italy	Many	Local	(DK)	No	Family and household	[Yes]
Israel	1	National		Yes	Family	[No]

Appendix A. Poverty reduction efficiency and effectiveness

These concepts are illustrated in Figure 5, taken from Beckerman [1979] via Saunders [1990].

In Figure 5 the lines YX and Y*X indicate the levels of family income before and after the receipt of income transfers, respectively. The vertical difference between Y*X and YX thus represents that amount of the transfers received, this amount declining as family income increases and becoming equal to zero at the income level corresponding to point X. Let PP indicate the income corresponding to the poverty line (suitably adjusted to take account of differences in family needs and size if necessary). Assuming for the sake of simplicity that the distribution of household incomes is uniform over this range of income, then total expenditure on cash transfers is equal to the area between the pre-transfer income and post-transfer income lines, or the area A1 + A2 + B + C in Figure 1.

The pre-transfer poverty gap - equal to the total income shortfall below the poverty line of all families in poverty - is equal to the area A1 + A2 + D. The post-transfer poverty gap is equal to the area D. The payment of benefits thus reduces the poverty gap by an amount equal to A1 + A2.

Thus we can define:

$$\text{Poverty Reduction Effectiveness} = (A1 + A2) / (A1 + A2 + D)$$

$$\text{Poverty Reduction Efficiency} = (A1 + A2) / (A1 + A2 + B + C)$$

For a given total expenditure on transfers, both effectiveness and efficiency will be greater if a greater proportion of benefits are concentrated on those families who would otherwise be in poverty. If the basic benefit level is increased from YY* to YP, then the poverty gap is eliminated and effectiveness is 100 per cent. However poverty reduction efficiency declines as the new poverty line (PX*) indicates. Similarly, if the benefit level is reduced from YY* to YY**, poverty reduction effectiveness falls but efficiency rises to 100 per cent. Only by altering the slope of the final income line to make it flatter can both goals be better achieved. If the benefit paid is exactly equal to the difference between pre-transfer income and the poverty line, so that post-transfer incomes follow line PP*, then both effectiveness and efficiency are equal to 100 per cent. This is a description of a completely selective system in which for every # of extra non-benefit income benefit is reduced by #1. So, for any given level of benefit expenditure, greater selectivity or means-testing means both more benefits for the poor (greater effectiveness) and fewer benefits for the non-poor (greater efficiency).

Appendix B. Trends in Means-testing

The general pattern of social security in the twentieth century has been for older forms of public assistance to be replaced by rapidly-expanding schemes of social insurance and, in certain countries, of universal benefits. But a reversal of this process has recently been noted in some nations. This has been especially the case in Britain after 1979. Figure 2 summarises a study by Atkinson of the shares of total social security expenditure devoted to each of the three forms of income maintenance. It separates out the old Poor Law public assistance from the newer means-tested benefits first introduced with the 1908 Old Age Pensions Act. This reveals a clear secular decline in the importance of income-targeted benefits with their nadir occurring in the post-war years up to the 1960s. However with the Thatcher government in 1979 their share of the total social security budget has more than doubled.

Room [1990], writing on the emergence of a 'new poverty' in the EC, has noted a common trend for the numbers relying on social assistance to rise in the s. In the UK recipients of Supplementary benefit rose by 59% between 1979 and 1985, whereas in Germany those receiving Sozialhilfe rose by 200% from 1978 to 1986. The major factor pushing up the numbers reliant on means-testing in Europe has been the emergence of mass unemployment. Within the total the proportion of single parents has also grown, whilst the reliance of older people on assistance has fallen. In the US, too, beneficiaries of AFDC and SSI continued to increase despite the Reagan administration's attempts to scale down the programmes, although the numbers receiving Food Stamps stabilised over the s. The cause here was the growth of working poverty, together with social trends such as single parenthood. The best evidence that we have to date for America and Europe is that means-tested assistance-type benefits have become more important over the last decade, reversing a long period of decline.

Unfortunately there is no systematic comparative data with which to monitor these trends. The ILO Cost of Social Security publications distinguish only a single, ill-defined category - 'public assistance and assimilated schemes'. The US-produced Social Security Programs Throughout the World [1990] includes means-tested programs only where they are the only or principal form of social security within a given category. MISSOC [1993], the EC's regular update of social protection in the member states, only began to include programmes 'guaranteeing sufficient resources' in 1993. We must thus rely on compilations by private scholars and research teams.

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