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The Misuse of the Term "Graduation" in Social Policy

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There is a linguistic test that I am increasingly trying to adopt: if a term is not used in the social policy of developed countries, then it should not be used in international development discourse. The term "graduation" fails this basic test. As Nick Freeland argued in a recent blog, in developed countries people "graduate" from university but no one "graduates" from social security.

The reason we do not find the term "graduation" in the social policy of developed countries is that it conflates and confuses two very distinct concepts:

- The first concept is the objective of helping recipients of social security schemes engage more effectively in the labour market, such as by accessing employment, gaining better wages or developing their own income-generating activities.
- The second concept is the practice of exiting people from means-tested social security schemes. People should only receive benefits from such schemes when their incomes are under the income eligibility threshold. Once they pass that threshold, they should no longer receive the benefit.

"Graduation" conflates these two objectives by combining labour market support for recipients of poor relief schemes – such as conditional cash transfers and workfare – with the explicit aim of removing them from the social security system. Now, helping people engage more effectively in the labour market is great. But linking the provision of this support to the aim of removing them from the social security system – even when they are not income secure – is poor social policy.

In developed countries, engagement in the labour market by people on low incomes is commonly complemented by access to social security. Low-income families are usually not left to fend for themselves but also receive social security transfers, such as family benefits or child grants. In the UK, for example, the vast majority of recipients of social security schemes – such as tax credits, housing benefits and child grants – have jobs. So, work and access to social security benefits are regarded as entirely compatible. Exit from means-tested schemes only happens when the income of recipients rises above the income threshold for eligibility: it is not linked to them being in or out of work. And, even if a family exits from a means-tested scheme, in many countries they still receive the universal benefits on offer, in particular child benefits.

Box 1: There is no "graduation" from unemployment benefits

It is important not to confuse "graduation" strategies with exit from unemployment benefits. These are a specific form of social security, which people receive because they do not have a job and, by definition, have no income. They naturally exit these schemes once they gain employment. However, they are likely to continue to receive other social security benefits – such as child benefits – thereby facilitating their continuing engagement in the labour market.

India's National Rural Employment Guarantee Scheme (NREGA) is a form of unemployment benefit from which no one "graduates." It is an entitlement providing every rural family with up to 100 days of guaranteed employment per year. As a safety net, it is there when people need it. It would be nonsensical to develop "graduation" strategies from NREGA. However, providing people with training or access to credit so as to minimise the number of times that they need to access NREGA would be entirely sensible social policy.

In low- and middle-income countries, a similar logic should apply. Governments should provide labour market programmes to help people in receipt of means-tested benefits find work or generate their own income. But this should not be linked to necessarily exiting the social security system unless they pass the income eligibility threshold. Being in work and receiving social security benefits should not be seen as mutually exclusive. However – as Box 2 explains – there are practical challenges with implementing this approach due to the flawed nature of "targeting" mechanisms in many low- and middle-income countries.

Box 2: Poor quality "targeting" and exit from poor relief programmes

In developing countries, the inaccuracies inherent in selection mechanisms – such as proxy means tests – mean that the majority of recipients are already above the income eligibility threshold. As is now commonly accepted, the "inclusion errors" in schemes using the proxy means test are usually above 50% (i.e. more than half of the recipients should not be on the schemes if the income threshold were strictly applied).[1] In effect, they should be "graduated" from the scheme as soon as they are registered. However, most poor relief schemes in developing countries have infrequent re-selection – sometimes up to every ten years, as in Mexico's *Oportunidades* scheme[2] – meaning that those above the income eligibility threshold can remain on the scheme for long periods, while the majority of eligible intended recipients are excluded.

Furthermore, proxy means tests are often unable to detect changes in incomes since they measure assets and household characteristics. If the income of a recipient increases, there may not be any change in the proxies used to estimate their income, so it will not be possible to exit them from the scheme on the basis of their enhanced wealth.

[1] See Kidd and Wylde (2011) and Kidd (2013a) for more information on the inaccuracies of selection mechanisms using poverty-based criteria.

[2] See Escobedo Zoletto (2011).

The flaw in the logic of advocates of strategies to "graduate" families from social security is that there is strong evidence that people engage more effectively in the labour market if they are in receipt of social security benefits. For example, in Brazil and South Africa, families receiving *Bolsa Familia* and the Child Support Grant are more likely to be in work than those outside the programmes (Oliveira et al 2007; Samson 2009). The receipt of a regular and predictable cash transfer also enables families to invest in their own income generating activities: people use their transfers to invest in productive assets and small businesses, even without additional labour market support (see Alderman and Yemtsov [2012] for a summary of the evidence).

Social security schemes facilitate the engagement of low-income families in the labour market by transforming their worldview. Access to a regular and predictable cash transfer provides families living in poverty with a minimum income platform that infuses their lives with predictability. No longer do they have to worry about whether they will be able to feed their children the next day or week. Instead, the guaranteed receipt of a social transfer offers them security and the knowledge that they can provide their children with the basic essentials of life, and keep them in school, for the foreseeable future. As a result, families can plan ahead and invest in income generating activities or look for employment. Indeed, they are more likely to take loans and invest in higher risk – but higher reward – activities.

However, once low-income families are removed from social security benefits, the chances of them falling back towards greater poverty are increased. This has happened in both BRAC's Targeting the Ultra-Poor programme (TUP) in Bangladesh and the *Chile Solidario* scheme, both of which provide low income families with significant support to engage in the labour market – such as productive assets and training – in addition to a basic transfer.[3] However, if they suffer shocks after they lose their transfer – such as illness or loss of productive assets – they no longer have a minimum income platform below which they cannot fall. As a result, they may well be forced to sell their productive assets, which will hinder their ability to generate an income in the future. Of course, this does not mean that these schemes are ineffective. Indeed, they provide recipients with a range of important skills as well as potentially viable micro-enterprises. However, the removal of the transfer does undermine their sustainability. Gains are more likely to be sustained if families are able to retain access to government social security schemes, such as child benefits.

The desire by some governments to "graduate" people from poor relief schemes is directly related to their perception of such schemes as "handouts" and a desire not to create "dependency." Such views are embedded within a neoliberal vision of social policy, which aims to limit investment on social security by exiting people from the system, rather than focusing on maximising success.

More governments should follow the example of countries such as South Africa and Argentina – and many "developed" countries – which, instead of providing families with "poor relief," offer them child benefits, which they can keep until their children reach a specific age. In South Africa, child benefits are, in theory, means-tested but the income threshold is so high – at $9,200 per annum for a married couple – that, in reality, few people will ever be excluded on this basis. Indeed, it appears that minimal effort is made to exit families from the scheme on the basis of their income, with the scheme, in practice, guaranteeing the benefit until children reach 18 years of age. In Argentina, the child benefit is universal.[4]

In reality, the difference between some poor relief programmes – such as *Bolsa Familia and Mexico's Oportunidades* – and a child benefit is minimal. Both are transfers to working-age families: the former are given on the basis of poverty and

3 See Krishna et al (2010) and Galasso (2006), as well as a recent blog on the topic.

4 In fact, in countries such as South Africa, Argentina, Brazil and Uzbekistan, the majority of households receive some form of social security benefit, thereby enhancing their income security and resilience. However, this is achieved via a mix of social security schemes that address a range of lifecycle risks, such as old age pensions, child benefits, disability benefits and unemployment schemes. This is very different to the poor relief model proposed by some development agencies, which has often promoted a single social security scheme – usually a conditional cash transfer – based on the model of 19th Century Poor Relief. Such schemes always achieve limited coverage and, therefore, limited impact.

the latter on the basis of caring for children. Yet child benefits do not generate similar calls for "graduation" and there are no concerns with children being "dependent." Furthermore, child benefits are likely to generate greater political support and higher coverage: while the South African and Argentinian governments' investments in their child benefits reach almost 1% of GDP, spending on *Bolsa Familia and Oportunidades* is relatively small, at less that 0.4% of GDP.

Therefore, if countries want to provide working-age families with a long-term minimum income platform from which they can engage more effectively in the labour market, they should consider providing child benefits rather than poor relief. The provision of child benefits will strengthen the ability of progressive governments to defend their schemes against neoliberal opponents who want to minimise investment in social security systems and, thereby, reduce taxation on the wealthier members of society. And, it will enable families to remain on schemes for long periods, enhancing their chances of effectively engaging in the labour market.

Conclusion

The concepts of a) supporting people to engage more effectively in the labour market and b) exit from social security schemes should remain separate. The term "graduation" conflates the two concepts and encourages a belief that families on poor relief schemes should only receive support for a limited period. If the two concepts remain distinct, it becomes possible to envisage a situation in which governments focus on helping working families to access the labour market while using the social security system to complement this support and sustain the gains made.

So can I propose eliminating the term "graduation" from social policy discourse in developing countries? Furthermore, the policy of removing low-income families from social security benefits should be reconsidered, since this is likely to undermine the sustainability of efforts to help those families to engage more effectively in the labour market. Good social policy should rather mean providing recipients of social security schemes with effective labour market support so that they can work more productively and gain higher incomes. But let us not link this necessarily to an "exit" from social security schemes.

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About The Author

Stephen Kidd is a Senior Social Policy Specialist at Development Pathways. Having graduated four times from university, he was hoping he'd left graduation behind along with student life. He was, therefore, very disappointed to find that graduation had entered into social policy discourse and is hoping that it never applies to him - really, four times is enough!

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