

# Strengthening safety nets for the poor

Rema Hanna and Benjamin Olken, Jakarta | Opinion | Tue, January 12 2016, 4:46 PM

Anti poverty programs — “safety nets” — provide poor households with essential help, from cash support to subsidized food and insurance. In addition to the ethical rationale for these programs, rigorous research has shown that they can also improve important social outcomes: boosting education for poor kids, improving health and reducing crime.

Yet these programs are the subject of passionate debates, often based more on rhetoric than reason. Some politicians argue to reduce safety nets, claiming that they discourage people from working. Others claim that program recipients waste the assistance on “bad goods” such as alcohol and cigarettes.

However, the evidence suggests otherwise: Studying seven anti-poverty programs worldwide — including PKH (family of hope program) in Indonesia — we have shown that government transfers to the poor do not reduce employment.

Instead, they provide assistance to primarily working poor households that, for many reasons, are unable to earn enough to cover their basic needs. And, a recent report from the World Bank confirms that households do not spend these transfers on “bad” purchases.

Others argue that anti-poverty programs are no longer necessary as countries experience economic growth — that they are only for impoverished, under-developed countries.

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## **Richer countries actually spend more on social protection programs than poorer ones.**

However, the evidence again contradicts this assumption: Richer countries actually spend more on social protection programs than poorer ones.

This is likely, in part, due to richer countries' greater ability to provide more assistance to the poor. And likely necessary due the rising inequality that often accompanies economic growth.

Indonesia has experienced substantial economic growth in recent years, but a new World Bank report shows that inequality has also reached historically high levels, implying that not everyone has benefited.

Indonesia's safety net programs are therefore more important than ever, in ensuring that the poorest households are able to meet their basic needs, such as feeding their children and ensuring that they can attend school.

There are many different kinds of programs that policymakers can choose from: Cash transfers, asset transfers, food subsidies, food



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