Chapter 10

AN INSTITUTIONAL ANALYSIS OF POVERTY

Chack-kie Wong

INTRODUCTION

Institutions are socially created. They are active structures that determine people's behaviour and influence their values (Islam, 1995:46; North, 1990:3). Hence it is reasonable to assume that an institutional approach should be meaningful in the analysis of poverty. In the study of poverty, the nature, extent and causes of poverty are frequently examined. The development of institutions for poverty alleviation also catches the attention of academic and policy analysts. However, only a few analysts treat institutions as an independent or intervening factor in the study of poverty. Even though they study the development or the contribution of institutions to poverty alleviation, the special meanings attached to the institutional approach are not fully appreciated.

Indeed, the institutional setting of various state institutions for poverty alleviation takes on special meanings. The decision-making process of state institutions on policy about poverty and how that policy affects people’s choices are areas of great interest and importance to the understanding of policy for poverty. Underlying the idea that state institutions can influence people’s behaviour is the assumption that institutions may act autonomously in terms of their own interests or they can moderate the impact of structural changes on human behaviour.

A review of literature on poverty identifies only a few analyses that approach poverty in relation to institutions, but these do not take on the special meanings outlined above. Two dominant approaches in the study of poverty have been identified. The first is an individualistic perspective in which poverty is regarded as a factor of individual faults: the poor lack will-power, they are morally deficit. In other words, they belong to a different group. This is an individualistic perspective to poverty. Secondly, poverty is perceived as being caused by structural factors such as economy, class, education, family etc. In this approach, the poor can do nothing about their fate as their destiny lies in structural factors beyond their control. This is a structural approach in which the environment is the key factor.
In this chapter, we introduce a third approach, that is, to examine poverty from an institutional perspective. This assumes that institutions matter.

The beginning of this chapter explores the special meanings of an institutional analysis of poverty. It starts by introducing a few poverty studies that explicitly adopt the concept of institutions in the analyses of poverty and policy for poverty alleviation. Two concepts of institutions are noted in the analysis of institutions in relation to poverty. Firstly, institutions are viewed as organizations in a micro-level analysis and how conditions of poverty are affected by these organizations is examined. Secondly, institutions are seen as macro-institutional structures such as capitalism and welfare state in a macro-level conceptualization. The focus is on the need of these macro-institutional structures to tackle poverty to meet their own systemic requirement. We then look at institutions at the meso or intermediate level. We clarify the meanings of institutions in the context of an institutional approach. References to scholarly writings in other social science disciplines will also be made. This is followed by an outline of the key features of this institutional analysis of poverty and what that analysis implies for our understanding of poverty and poverty alleviation.

**THE EXTERNAL ANALYSES OF INSTITUTIONS IN POVERTY STUDY**

Our point of departure is Peter Townsend’s analysis of poverty. As far as we know from the review of literature on poverty, Townsend is the first poverty analyst who mentions a structural or ‘institutional’ approach of poverty (1983, 1993).

In his view, institutions affect the allocation of resources, nationally or internationally. In the case of national institutions such as state institutions and big corporations, they shape wage and social security systems within a country. For instance, the legislature of a country “enacts laws, produces regulations and encourages conformism behaviour” (Townsend, 1983: 73-76). It is clear that laws and regulations passed by the legislature have coercive power over people within its jurisdiction. In the case of multi-national corporations, they also influence the rise of unemployment across national borders when they reallocate their industrial production base elsewhere. In Townsend’s institutional analysis of poverty, the activities of international institutions such as the World Bank also explain poverty in both rich and poor countries (1993: 102). In Townsend’s view, institutions take the form of organizations; they can be government or non-government organizations, in the economic, social or political sector.

Townsend approaches the relation between institutions and poverty from a distributional perspective. He places strong emphasis on the responsibility of international organizations in his ‘institutional’ or ‘structural’ analysis of poverty. However international organizations such as the World Bank, contrary to Townsend’s analysis, look to state institutions for explaining poverty because they regard the latter as having power to redistribute resources for the benefit of the poor (2001: 16). Hence from the distributional perspective, similar controversies are inevitable once resources and power are involved.

In essence, the above impact analysis of institutions on poverty in the form of organizations, primarily looks at poverty as due to the lack of resources available to the poor. Hence, the resource distributors - state, social, economic, or international institutions - have a role to play in poverty alleviation. This line of analysis can be traced to the ‘radical’ social administration tradition in social policy in which Townsend is its principal proponent.

Another authority on social policy, Jordan (1996), following Polanyi’s analysis of the ‘Great Transformation’, takes an inter-institutional perspective in analysing poverty. He refers to the need of poverty alleviation and regulatory institutions to tame the destructive market forces, which are also economic institutions (Jordan, 1996: 223-224). More specifically, Jordan affirms the utility of welfare states, which “provide the advanced industrialized countries with institutional ways of restraining both costly internal conflicts and their international spillovers” (1996: 226). The institutions referred by Jordan are the macro-institutional structures of capitalism and welfare states. Jordan’s theory of poverty is, indeed, based on a political economy perspective. It can also be re-conceptualised as a supply-based theory of poverty because poverty alleviation is considered as a result of the enforced need of the state to restrain the “costly internal conflicts and their international spillovers” (Jordan, 1996: 226).

Essentially, Townsend’s and Jordan’s institutional analyses of poverty are external rather than internal analyses of institutions on poverty. Both analyses do not inform us about how institutions, as an independent or intervening factor, affect the conditions of poverty and behaviour of the poor. Henceforth, we need to look to an internal analysis of institutions on poverty other than the perspectives of either the distributive power of organizations or the need of the state to institutionalise poverty alleviation.

**WHAT DOES AN INSTITUTIONAL ANALYSIS OF POVERTY MEAN?**

In our review of the literature on poverty, we have identified a few publications that analyse poverty from an institutional perspective, as we tentatively suggested. As a result we have to refer to writings by scholars not only in the field of social welfare and social policy in order to construct an institutional analysis of poverty other than the two foregoing analyses that regard institutions as micro-level organizations and macro-level structures respectively.

In an article on rural poverty, Islam (1995: 46) defines institutions as encompassing “arrangements, rules, and norms upon which economic or social behaviour is constructed”. Istrids (1994: 12), a social policy analyst, refers to institutions as social practices built around a distinct set of values, sanctioned and maintained by norms. North (1990: 3), an economic historian, defines institutions as either “the rules of the game in a society” or more formally, “the humane devised constraints that shape human interaction”. Ashford (1986: 6), another social policy analyst, adopts a similar line in understanding the constraining function of institutions, and refers to it as “the manifested expressions of how a people limit the use of collective authority”.

The above few selected definitions seem to indicate that institutions define individual behaviour by their ‘rules of the game’ such as rules, norms, habits, and routines. However, it is fruitful to stress that an institutional perspective also sees individuals as capable of purposeful action. For instance as suggested by North (1990), despite constraints placed by institutions on decision-making, individuals can alter those constraints. Nielsen (2001: 5) shares similar views about the capacity of individuals. They are human agencies: purposeful, rational, with some freedom to deliberate or choose in accordance with their individual psychology.

Here in this chapter, we do not intend to pursue a review of the various institutionalist or neo-institutionalist schools of thoughts. What we endeavour is to apply their basic ideas into
poverty studies. In general, our concern is why and how institutions affect social practices and poverty conditions. On the basis of the foregoing analysis, we have identified two essential variables underlying an institutional analysis for the limited purpose of this study. Firstly, an institutional analysis looks at the constraints imposed upon the exercise of collective authority that is about how those who have the authority are constrained by rules and norms. By all means, values play a significant part. Secondly, an institutional analysis also looks at how rules and norms around poverty alleviation affect the poor. It is necessary to clarify that we do not intend to focus on the idea of whether individuals can deliberate choices and alter the constraints imposed upon them. Our reason is simple, that the primary aim of this chapter is to relate an institutional analysis to the study of poverty.

If our institutional approach is used to analyse poverty, there will be a particular need to make a distinction between institutions as organizations and institutions as a form of social practice. North (1990) cites an example to illustrate the distinction between the two different conceptions of institutions. According to him, the players and the rules of the game can be clearly differentiated in competitive team sport. The purpose of the rules is to define or limit the ways in which a competitive team sport is played. But the objective of participating teams within that "set of rules is to win the game by a combination of skills, strategy, and coordination; by fair means and sometimes by foul means" (North, 1990: 4-5). In other words, the organizations (i.e. the participating teams in this case) are groups of individuals bound by common purpose to achieve the objective of winning the game. The rules of the game, or institutions in our conceptualisation, are human creations; but organizations have to develop within the institutional framework that defines their behaviour.

The competitive team sport example differentiates between institutions as organizations and institutions as a form of social practice. Because the meaning of institutions according to the latter definition is more conducive to our understanding of poverty, we adopt it here. Hereafter in our discussion, institutions are not taken as organizations. They are social practices built around a set of values, sanctioned by rules and norms. There are legal institutions of the rule of law; democratic institutions of free press and free associations; social institutions of family, religion, community, and school; and state institutions for poverty alleviation, for instance.

In the case of poverty alleviation institutions, Islam (1995) cites some examples which have significant impact on rural poverty. Institutions such as the structure of ownership and control of productive assets, arrangements for credit and irrigation and even methods of wage payments have great impact on rural poverty and its alleviation. These institutions can influence economic growth as well as the distribution of benefits through growth. Hence the level of earnings of the poor, who are usually low-paid workers and peasants in rural areas, are closely related to the operations and functions of institutions.

Another similar conception of institutions in poverty analysis is also documented in a World Bank (2001) report on poverty alleviation. The report conceptualises institutions as rules and norms such as rules of inheritance and norms for gender roles, which are cited as barriers between the socially disadvantaged women and the opportunity and resources they need to advance their interest (The World Bank, 2001: 18). According to this analysis, women are stricken by poverty because social institutions in the form of rules and norms, rather than specific organizations, moderate their life chances.

We come close to outlining an institutional analysis, which regards institutions as an explanation, hence an independent or intervening variable, of poverty and poverty alleviation.

Firstly, in this analytical perspective, institutions do not simply take on an organizational form, albeit which has a great impact on poverty. Secondly, they are not the dependent arrangements, stemming from the political economy analysis, for the state to supply the resources for the need of poverty alleviation. This perspective looks promising as it treats institutions on their own right in the analysis of poverty.

On the basis of the above discussion on the meanings of institution and from the perspective of an institutional approach just stated, we are led to ask a different set of questions or reference points on poverty and poverty alleviation. It first focuses on the internal analysis of poverty alleviation institutions. Secondly, it looks at the ways that poverty alleviation institutions moderate the behaviour and values of the poor. However before we go into these two aspects, we need to establish why institutions explain poverty. This is the prerequisite for treating poverty alleviation institutions as an independent or intervening variable. These three aspects and their implications for policy are elaborated below.

**INSTITUTIONS AS AN EXPLANATION OF POVERTY**

A meso-institutional analysis of poverty assumes that human beings are essentially social creatures, which have and need a social milieu to develop their human qualities (T'wine, 1994: 9). One of the human qualities is the building of institutions which also defines the opportunities and constraints confronting people. Poverty alleviation institutions are such social milieus, which define opportunities and constraints confronting people especially those who are at the lower strata in urban, industrial settings. Hence, it is reasonable to assume that poverty alleviation institutions, or their absence, would be perceived as an explanation of poverty, apart from the individualist and structural explanations (Townsend, 1983, 1993).

The reasons for arguing institutions as an independent or intervening variable are simple. Firstly, life chances in complex urban and industrial societies are characterized by numerous risks that are beyond individual control. Character weakness or fate is no longer a satisfactory explanation. Simple evidences suggest that poverty conditions in urban, industrial setting can happen to people even though they possess work skills, are industrious, and even after a lifelong working career. They can still be poor especially in this global era.

Secondly, structural explanations have proved inadequate. Capitalism and class structure, for example, are powerful explanations of human behaviour. However their effects tend to be broad and general. Hence they are inadequate in explaining the variations of behaviour among the same capitalist countries or among the same class of people. For example, class differences seems to be more obvious in Britain than in the United States, but the reverse is the case with regard to race relations although both are capitalist countries. Apparently, there can be meso-institutions that mediate the effect of macro-institutions. In poverty alleviation, state institutions as meso-institutions have a significant role to play. One reason is that people expect their governments to have a particular responsibility in their society. This perception is not only shaped by what they experience in their own society, but is also affected by their knowledge about poverty alleviation practices in other countries as our world has become increasingly globalized.

The third is the belief that poverty conditions are essentially remediable. The key to this change is the disassociation of poverty from the victims' character or walk of life. Poverty is often reduced to a non-moral issue - a single, bare fact - the lack of money (de Swaan, 1989:
161). Coupled with the belief that state institutions have the power to levy taxes and impose membership, e.g. collectivised transfer and saving, it is not surprising to notice that institutional failures have become an explanation on poverty conditions in the urban, industrial setting.

Readers may notice that we have followed the arguments advanced by Townsend in his 'structural' or 'institutional' analysis of poverty, but we have extended it to include the autonomous role of institutions as the explanatory factor. We elaborate this point in the following circumstances where poverty conditions are primarily perceived as the result of lack or of inadequate, improper institutional arrangements.

The 1997 Asian Financial Crisis is a first case in point. Incidences of poverty and unemployment drastically rose in some East and South-East Asian countries as a result of this economic event which is primarily perceived as an external factor beyond individual control. For instance, the newly industrializing economies in East Asia had enormous growth before the Crisis. Hence, their poverty alleviation institutions were built on the assumption that those who wanted to work could find jobs. The structural and international nature of the Crisis has shaken this assumption. Poverty alleviation institutions there did not sufficiently cover their employed population who were suddenly fallen into this unexpected social risk in a massive scale. Some countries took action to remedy this poverty condition in the aftermath of the Crisis. South Korea is a case in point. In 1998, it extended the unemployment insurance to cover full-time workers in companies with five or more employees. By 2000, it further extended its poverty alleviation benefits to working adults. The initiative was nevertheless related to the strong labour mobilization in South Korea. In response to massive unemployment and poverty, the unemployed and trade unions in South Korea did not only blame structural factors, but also directed their grievances at the state on the inadequate provision for poverty alleviation.

It is clear that not only individuals but also countries are exposed to risks beyond their control. However, their responses are different. The difference in institutional responses among countries conveys the message that government efforts can make a difference to poverty conditions. For instance, because of the lack of unemployment insurance, low-income workers in Hong Kong have to rely on social assistance and be counted as poor. Henceforth, being poor as a result of the Crisis can easily be perceived as unrelated to character weakness and fate as job opportunities or contributory unemployment benefits were not available.

The second circumstance concerns the transitional economies of the former Soviet bloc countries where the dismantling of the Centrally Planned Economy went hand in hand with the collapse of poverty alleviation institutions. The sudden increase of people falling into poverty is another clear evidence of circumstances beyond individual control. For instance, between 1989 and 1991, real incomes in Poland were down 60% in farmer households and 71% in worker households. During the same period, the proportion of persons below the minimum income standards rose from 15% to 37% in employee households and from 24% to 34% in pensioner households (Danecki, 1994). In Russia, 36.7% of the population had an income below the minimum subsistence level at the beginning of 1994 (Tchernina, 1994). The institutional transformations in many of these countries have until now continued to deprive many of a stable income and led many others into poverty. In essence, the sudden deterioration of life opportunities and the rise in constraints inflicted upon many people in these countries could hardly be explained by individual faults. State institutions, the essential part in the role of the game for poverty alleviation, are to blame as they had healthy track records in those good old days.

The third circumstance applies to countries of considerable wealth - the OECD countries. In these countries, given that economic systems and wealth levels are similar, differences in poverty incidence and extent can only be explained by the outcome of different institutional arrangements in poverty alleviation. For instance, a recent report finds that the Netherlands, in comparison with two other OECD countries, Germany and the United States, had the lowest levels of poverty because of its universal benefits system (Goodin, Heady, Muffels and Dirven, 1999). Universal poverty alleviation benefits are the ascribed explanation. In this regard, poverty status is more likely to be perceived as a factor of the institutional arrangement for poverty alleviation.

All these circumstances illustrate that institutions have become either an independent or intervening variable in explaining poverty. It does not mean that individualist and structural explanations have lost their appeal. But the institutional explanation should have its share for the blame of this social misery. With this view in mind, it is appropriate to suggest that poverty alleviation institutions explain the variations in the incidence and extent of poverty. If personal, cultural and structural factors are held constant, institutions will become the determining factor. We have already illustrated this in the above OECD example. Indeed, an institutional analysis is not new in poverty studies; the point is that it has not received the attention it deserves.

FROM EXTERNAL TO INTERNAL ANALYSIS OF INSTITUTIONS FOR POVERTY ALLEVIATION

Now we come to an internal analysis of institutions for poverty alleviation. March and Olsen (1989), in their study of institutions of politics, offer an explanation that helps our analysis of poverty from an internal analysis of institutions.

In their view, institutions of politics provide order and influence in politics because they are the fundamental features of politics. Institutions of politics, such as bureaucratic agencies, legislative committees, and appellate courts are organizations themselves and arenas for contending social forces (March and Olsen, 1989: 16-17). The essence of their idea is that institutions, in their organization forms, cannot attend to everything at once. They have their own logic – i.e., to follow the collections of standard operating procedures and structures that define values, norms, interests, identities and beliefs. Most important of all, they simplify the problems before them to manageable magnitude. Hence certainies can be ensured. In other words, some potential participants, issues, viewpoints, values, and beliefs are ignored or suppressed if they are not in line with the underlying rules and norms of institutions.

Henceforth, it is necessary to look at poverty alleviation institutions as if they have full autonomy over decisions on poverty alleviation. This is not to disregard the functions of external, contextual factors, but to take the position that poverty alleviation institutions can legitimately decide on matters within their jurisdiction. This stance is similar to the relative autonomy thesis of state in neo-Marxist theory. Here, we need to reiterate that poverty alleviation institutions are not equal to the sum of organizations involved in poverty alleviation. Institutions, as we have mentioned in the foregoing paragraphs, are about the rules
of the game. Thus, poverty alleviation institutions can be taken as the rules of the game in poverty alleviation. In other words, organizations in poverty alleviation institutions such as bureaucracies, benefits system and related organizations such as health services and public housing together with the people involved at different organizational levels, have to act according to the values underpinning poverty alleviation institutions. Needless to say, their social practices are sanctioned by institutional rules and norms.

Now, we place poverty alleviation institutions in the centre ground of our internal analysis of institutions for poverty alleviation. Ashford provides us with some hints in his analysis of how the state operates according to the ground rules for exercising authority (1986: 6). In his words, the ground rules are found "in the basic practices attached to the work of political executive, the organization and powers of bureaucracy and the accepted methods of formulating, implementing and evaluating policies" (ibid). In the same vein, poverty alleviation institutions also operate according to the ground rules that define the powers of those who formulate, implement and evaluate policies about poverty alleviation. For instance, if a ground rule in poverty alleviation in a country is to delegate relief work to local governments on the condition of limited financial support, we can imagine great regional disparities in poverty conditions in that country. The establishment of an open-ended minimum poverty assistance scheme in urban China is a case in point. It was necessitated by the need to provide a safety net of the last resort to those who could not fend for themselves under the new social and economic reality of economic reform. The previous poverty assistance scheme was inadequate in providing relief to new comers in poverty -- those unemployed and the retired who do not have adequate means -- because the discharge of poverty relief was primarily based on the financial capacity of each municipal authority. The new poverty relief scheme has changed this basic ground rule in poverty alleviation in urban China. Local municipal governments now have new basic practices about poverty alleviation. In essence, they have to organize it according to the new ground rule based on the principle of need.

In view of our broad definition of poverty alleviation institutions, the ground rules are interpreted in accordance with underlying institutional values. Then, we need to ask: What are the underlying values of poverty alleviation institutions? The dominant values underlying poverty alleviation institutions are about the legitimacy in the use of institutionalised or collective authority. In this sense, institutional values do not only refer to normative values as we understand them, such as social needs and social stability. In institutional terms, they are also about the legitimacy of the institution over the concerned issue. In other words, decision-makers have to consider whether their decisions over the issue are in accordance with rules and norms set for their use of the institutionalised or collective authority. We go back to the ground rule example in reform China for the establishment of an open-ended poverty assistance scheme for further elaboration. In that case, if the 'new poor' (i.e., the unemployed and the retired who have genuine needs) are not being taken good care of, the legitimacy of the government as a whole would be weakened. As a result, the institutional value of serving the needy is in question.

Hence, there might be a gap between the ground rules attached to the powers of those who are directly responsible for decision-making and implementation of poverty alleviation policies and the institutional values of poverty alleviation. Perhaps controversies over the interpretation of the ground rules may arise among those who have power over resources and those who have stakes in poverty alleviation. This is exactly likened to what we mentioned about the competitive team sport illustration in which some players may manipulate or break the rules for their advantage. Again, the Chinese case of adopting an open-ended poverty assistance scheme offers good reference. The old ground rule of basing poverty relief on financial capacity could not meet the changing needs arising from economic reform and posed a legitimacy problem to the authorities. At that time, the institutional value of poverty alleviation had been questioned. The open-ended poverty assistance scheme with its new ground rule, came in. However, not all municipal governments in China have the financial capacity to make ends meet in accordance with the new ground rule of basing need in poverty alleviation. Hence, unmet needs of the new poor are still reported from time to time in urban China despite the claim that the new open-ended poverty assistance scheme has been fully implemented. Evidently, some municipal governments may have broken the ground rule.

We come to illustrate how decisions are made in accordance with an institutional perspective. The institutional policy choice to advance welfare requirements into the benefits system is a case in point. In accordance with class or pluralist analyses, the decision to advance this policy may follow the need for perceived contextual changes or the need to be responsive to organized pressures. However, an institutional perspective has a dynamics of its own because the legitimacy to make decisions in this particular case lies in the institution itself: the institution has the jurisdiction to make its own decisions. External pressures are to be processed through the mediation on the institutional arena if they have any impact on decisions that are to be made. In this case, decision-makers have to ensure that external pressures such as the incidence and the extent of welfare dependency do not translate into doubts about institutional efficacy. Decision makers also needed to ensure that political and administrative support are available, and that a redirection of institutional capacity is possible.

In the end, decision-making in the above case is primarily about the legitimacy of the institution as affected by the issue. By taking action, poverty alleviation institutions reduce uncertainties about their legitimacy if the behaviour of the perceived welfare dependants is moderated by the new rules and norms around welfare. Nevertheless, decision-makers as human agencies are also able to exploit controversies in society and the institutional rules and norms to their advantage.

In the case of welfare, the institutional autonomy in the response to contextual changes or political pressures illustrates that poverty alleviation institutions may not be in touch with the reality. This is because the bases of decision-making are rules and norms of institutions and their prescribed processes. Therefore, for the sake of securing certainties, institutional practices tend to be conservative. In the case of poverty measure, the state's minimum income standards are usually not based on the scientific study of poverty (Veit-Wilson, 1998); they are always a compromise between the ideal solution and the capacity of government.

The Changes in the Rules of the Game and Their Effects on the Poor

In the coming paragraphs, we move to look at how the rules of the game in poverty alleviation affect the poor. Understanding the causation of poverty is important, but the ways poverty alleviation institutions work and how they affect the behaviour and values of beneficiaries are equally important. This suggests that beneficiaries are influenced by
institutional structure despite of their different reasons for falling into the safety net. For instance, high replacement ratio may induce unemployed beneficiaries to stay in the benefits system despite improvements in the availability of job opportunities in the labour market (George and Wilding, 1984: 174-178). Hence, people's behaviour as well as their values can be changed as a factor of institutional arrangements.

China's economic restructuring offers a case in point. In a comparative study of public attitudes towards welfare provisions of two Chinese cities in 1996, Lee and Wong (2001) identified a more positive and receptive view towards the reduction of state welfare provisions as well as reform initiatives in housing, medical, and retirement benefits in the city where economic reform was initiated earlier. For example, in the city with more exposure to economic reform, only four-tenths of respondents disagreed, in different extent, to the statement that "one should seek help from relatives when one's own financial resources are inadequate". Whereas in the city with less exposure to economic reform, seven-tenths of their compatriots were in disagreement to the above statement, a difference of nearly thirty percentage points (Lee and Wong, 2001, Table 4.4). They suggest that such attitudinal difference is rooted in an institutional context despite the fact that both cities were exposed to the same Chinese culture which is assumed to have placed a high value on the help of family members and relatives.

The institutional context, the ground rule referred to in our analysis, is the changing policy package in urban China, from one which is about 'permanent employment, low wage and extensive state welfare' to one about 'insecure employment, high wage and social welfare'. In the latter case, workers in urban China are less dependent on state welfare because they have a different incentive structure under the new ground rule. They could secure more personal resources than before. In this respect, it is assumed that respondents would be more accepting of help from relatives, instead of from the state, as we have just illustrated. Therefore, the attitudinal shift reflects a different rule of the game in which people have less expectations of their state. Hence, norms, e.g., statism and familism in our above illustration, which are to sanction behavior are in fact affected by a change in the rules of the game.

Back to poverty studies, it is clear that a change in the rules of the game should have independent impact on people's behaviour on poverty. The fact that people are moving out of poverty all the time (i.e., the dynamic analysis of poverty, see for example Walker, 1995) should enable us to draw lessons from the ways they are affected by different institutional structures of incentive and constraint. The recent experience in Hong Kong is a good case in point.

A recent inclusion of workfare measures in 1999 of those employable beneficiaries had resulted in a substantial drop in total number of unemployed cases on social assistance in this East Asian 'tiger' economy. Under the new rule, the employable beneficiaries are required to apply for jobs and to take up community services in exchange for benefits. These changes in institutional arrangements in poverty alleviation, as mentioned in above, illustrate that a change in rules was assumed to moderate people's behaviour in relation to their poverty status. Part of the reason for introducing these workfare measures was in response to the public outcry that the benefits received by some beneficiary households with employable adults enabled them to enjoy a better standard of living than those low-income households who worked hard for their living. The application of more stringent means, indeed, was to ensure that the underlying institutional value of self-reliance was perceived as intact. It is worthwhile to note that the change of rules had resulted in a significant drop of cases in the category of unemployment, from 30,922 in July 1999, the second month when the rule was implemented, to 23,364, two years' later in July 2001. Whether this is desirable is definitely a normative judgment.

In the following paragraphs, we could postulate a more systematic analysis of the effects of a change in the rules of the game on the poor on the basis of our understanding from poverty studies. We shall look at the benefits system, poverty alleviation institution itself, from a systems perspective. First of all, we need to know why the poor 'enter' or 'do not enter' into a benefits system. Stigma plays a significant part in constituting the phenomenon of what is called the 'non-take-up' rate in means-tested social assistance benefits. In essence, norms work. Secondly, once the poor are in the benefits system, why do they stay or leave? Thirdly, when they leave the system, what are the factors contributing to their 're-entry' or their remaining outside the system? In general, an institutional perspective is to ask whether a change in the rules of the benefits system is the key variable in the issue in question.

In responding to these questions, an internal analysis of institutions for poverty alleviation looks at factors such as replacement ratios, childcare arrangements, training and employment counselling, incentives to reemployment, etc. These factors, with their underlying rules, can moderate the behaviour of the poor even if the labour market were held constant. In essence, an internal analysis of institutions for poverty alleviation is about the restructuring of incentives or constraints that may induce a change in the behaviour of the poor in regards to work, family obligations, benefits entitlement and the like.

CONCLUSION

In this chapter, we started out with the review of literature on poverty and found that very few analyses approached the study in relation to institutions. Even if they did, the special meanings of an institutional analysis were not fully appreciated. We pieced together ideas in the institutionalist thinking by scholars, not only in the field of social welfare and social policy, to postulate a different set of questions on poverty and poverty conditions. On this account, we identified that some prevalent institutional analyses of poverty were indeed external analyses of institutions on poverty. Then we moved to extend Peter Townsend's argument to include institutions themselves as an independent or intervening explanation of poverty, followed by the reasoning of an internal analysis of institutions for poverty alleviation. At the end, we presented postulates of circumstances on how a change of rules affected the behaviour of the poor.

In sum, this chapter is a preliminary attempt to outline an institutional analysis of poverty on the basis of institutions as an independent or intervening variable. This perspective is seemingly an area where very few social policy analysts have worked on. In contrast, a review of literature on institutions in the category of institutionalism or neo-institutionalism can easily identify a substantial pool of publications in the fields of economics, politics, and public administration over the past two decades. We ponder whether the insufficient attention, if not reflecting a neglect on the relation between institutions and poverty, is a factor of the

1 Source: Social Welfare Department, The Hong Kong Government of the Special Administration Region, An Update on CSSM, 23 October 2002.
overwhelming concern of social policy analysts on 'desirability' rather than 'feasibility' issues. It seems clear that, an institutional analysis might not lead us to normative, desirable alternatives. In the case of poverty, an institutional analysis could stop at the 'official' poverty line, i.e., minimum income standards, as it may be the 'feasible' compromise between the ideal solution and the capacity of government. Despite its conservative nature, an institutional analysis of poverty helps step into the shoes of those who make the choice within constraints. On that basis, it is possible to postulate practical solutions for reform.

Before we end, it is helpful to point out that poverty alleviation institutions, according to our analysis, are variable to conceptions. The reason is simple. Poverty alleviation institutions are more than organizations; they are the rules of the game that define social practices. For instance, benefits system is part of the rules of the game. Whether the addition of retraining program for the unemployed expands the institutional boundary or it just adds an organization has no straightforward answer. Henceforth, we need to be specific about what we mean by poverty alleviation institutions in an institutional analysis of poverty.

Despite our above reservations on an institutional analysis of poverty, it provides the meso-foundations for the macro-analyses of social policy and poverty. Apparently, institutions are an independent or intervening factor in any controversy or debate about macro-themes such as social justice, social values, and contextual changes in society, because they are where decisions are made about where and how state capacities should be directed or redirected, about how social practices for managing problems or satisfying needs are institutionalised, and most important of all, about how people's behaviours are constrained by the rules of the game.

REFERENCES


